Munksjö Oyj
Annual Report 2013

Made by Munksjö™

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Munksjö in brief

Munksjö Oyj is an international specialty paper company, a combination between Munksjö AB and Ahlstrom Corporation's business area Label and Processing. We produce select specialty papers, which are central elements in the design and manufacturing processes for our customers. For example, our unique product offering includes decor paper, release paper, electrotechnical paper, abrasive backings, graphic and industrial paper and interleaving paper. Today, we are one of the world's leading players within several of these product areas. These different types of paper are used in several industrial applications and consumer-driven products, including those within the furniture and interior design industry and they are also used to develop a more sustainable system for energy distribution.

We are approximately 3,000 employees, integrating with our customers' operations throughout the world. Together, we form a global service organisation, where customer focus and innovation should characterise our entire operation.

BUSINESS AREAS

Munksjö has four business areas; Decor, Release Liners, Industrial Applications and Graphics and Packaging with production facilities in Brazil, China, France, Germany, Italy, Spain and Sweden.

The year in brief

- Net sales increased to EUR 863.3 (607.1) million, primarily as a result of the combination. The acquired business contributed an additional EUR 257.0 million to net sales.
- Operating result adjusted for non-recurring items was EUR 15.7 (16.9) million and the adjusted operating margin 1.8 per cent (2.8).
- Interest-bearing net debt at the end of the reporting period was EUR 230.4 (217.3) million, equivalent to a gearing of 54.4 per cent (108.9).
- Net result was EUR -57.4 (-10.4) million.
- Earnings per share (EPS), was EUR -2.0 (-0.9).

Figures in parentheses refers to 2012 unless otherwise indicated.

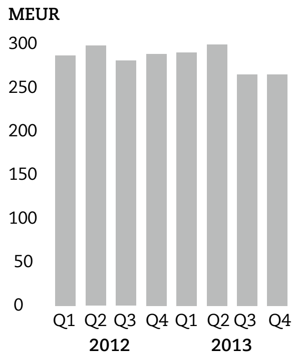
KEY FIGURES

MEUR	2013	2012
Reported [1]		
Net sales	863.3	607,1
EBITDA (adj*)	55.0	42,3
EBITDA margin, % (adj.*)	6.4	7,0
Operating result (adj.*)	15.7	16,9
Operating margin, % (adj.*)	1.8	2,8
Capital expenditure	22.6	14,8
Pro forma II [2]		
Net sales	1,120.3	1,154.6
EBITDA** (adj.*)	64.1	76.6
EBITDA** margin, % (adj.*)	5.7	6.6
Delivery volumes, tonnes	885,232	897,371

* Adjusted for non-recurring items
** Includes the stand-alone cost savings and synergies achieved after 27 May 2013. Further about the pro forma information can be found in the Financial Statements Bulletin published 13 February 2014.
1) Includes LP Europe from 27 May 2013 and Coated Specialities from 2 December 2013.
2) Includes LP Europe and Coated Specialities from 1 January 2012.

NET SALES 2013 PRO FORMA II [2]

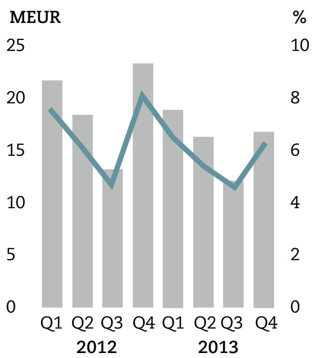
NET SALES 2013 PRO FORMA II [2]



A MARKET LEADER WITHIN SPECIALTY PAPERS

- Munksjö Oyj started its operations when the first phase of the combination between Munksjö AB and Ahlstrom Corporation's business area Label and Processing was completed end of May.
- Munksjö Oyj was listed at the Helsinki Stock Exchange (NASDAQ OMX Helsinki Oy) on 7 June.
- The Group has a strong position in Specialty Papers and is among the market leaders within several attractive product segments.
- The second and final phase of the combination was completed at the turn of the month November.
- One of the world's largest specialty paper companies is formed – a global service organisation with 15 production facilities, approximately 3,000 employees and sales offices all around the world.

EBITDA & MARGIN (ADJ.*) PRO FORMA II [2]



* Adjusted for non-recurring items

Our vision

Munksjö's mission, vision and values are the three core elements of our business operations. Our employees are united by our mutual goals and aspirations for the company.

MISSION

We enable innovative product design. Our customers value our ability to contribute to their business success. We do this by utilising our paper technology and industry expertise in order to deliver innovative product solutions that can be used by engineers and product developers worldwide.

VISION

A global leader in specialty paper enabling high value-added product design in an efficient and environmentally friendly way.

BUSINESS CONCEPT

Munksjö's business concept is to offer customers flexible and value-added speciality paper products within product areas with growth.

CLEAR VALUES

We encourage open communication based on trust and respect, which contributes to an environment where our employees always have the right to speak up if they think we are not being true to our values.

Do right

- We are a central part in the customer's manufacturing process. With quality and service as top priority in everything we do and deliver, we keep our customers' trust.

Innovation

- Our customers are constantly striving to develop their performance. Together with us, and by using our technology and processes, we can often contribute with a number of solutions and new opportunities. Explore and develop your business operations together with us.

Focus

- In order to create a long-term sustainable and profitable company, we must deliver solutions that create added-value for our customers.

Strategies and goals

We have a strategy focused on being a leading specialty paper manufacturer. We are active in the segments and markets that are less sensitive to macroeconomic cycles than the traditional forestry industry.

STRATEGIC CORNERSTONES

Leading positions in growing markets

We focus on markets with underlying growth (driven by macro-trends, such as a growing middle class, upgrades of power grids, new construction, etc.) where we have a leading position.

Strong product portfolio

Our product portfolio is focused with breadth – within the specialty paper areas we focus on, we have a broad portfolio of innovative products and strong brands.

Unique know-how within specialty paper

We focus on small specialty paper segments with industrial customers. Within these segments we have unique know-how thanks to solid, extensive and proven experience in manufacturing, developing and selling specialty paper.

Efficient production processes

We continuously improve and streamline our production system of paper machines, which can easily be switched between our special paper grades, and are adapted based on their specific production requirements.

FINANCIAL GOALS

EBITDA margin of **12%** in a business cycle

Debt/equity ratio < **80%**

Dividends > **1/3** of operative cash flow after investments

CEO’s comments

Foundation set for a promising 2014

2013 was characterised by the business combination and integration between Munksjö AB and Ahlstrom’s business area Label and Processing business, as well as the stock listing of the new company, Munksjö Oyj in early June 2013 on the Helsinki Stock Exchange. The combination has exceeded expectations and synergies have evolved faster than originally planned. With the combination, the new company established itself as a world leading specialty paper company.

”The new Munksjö is a different paper company – a company for our times!”

The formation of the new company was a natural step in the two parent companies’ respective strategic development plans, in line with the intention to find the right partner for establishing a global leader in specialty papers, with profitable growth as a benchmark. Those synergies, EUR 20-25 million, that were promised during the formation of the new company have developed at a faster rate than expected. As early as late 2013 the company achieved an annual run rate of EUR 11 million, and full integration savings will be achieved by the end of 2014. This means that the first full year with total projected synergies within the given range of EUR 20-25 million will be realised in 2015. One year earlier than promised. The combination will lead to increased competitiveness and efficiency, which in turn, paired with good organic growth in most of our segments, will exceed GDP growth, creating a great foundation for a major increase in profitability over the next few years.

The business combination was carried out in two phases. The first phase was done 27 May 2013 with the combination of Munksjö AB and the European division of Ahlstrom’s Label and Processing business. Phase two took place in late November 2013 when the Brazilian operation in Jacarei, São Paulo, was incorporated into Munksjö’s business area, Release Liners. The challenges and related efforts with the merger have largely focused on rapidly realising synergies without having a negative impact on, for example, customer service and production efficiency. Of course, another challenge is to quickly obtain a working organisation through a true “merger of equals”. In hindsight, we can say that we succeeded with our integration program and a good indication of this is the faster than planned development of our promised synergies.

Three important goals were established in connection with the formation of Munksjö Oyj:

- Optimisation of cash flow to rapidly reduce net debt and improve the capital structure.
- To quickly realising synergies with the help of a competent and well-structured integration group.
- To quickly come up with an improvement program within the business area “Graphics and Packaging” containing radical cost reductions and optimisation of product mix.

These objectives have served as guiding principles in 2013 and performance rates have been very high.

Best year for Industrial Applications

Munksjö is divided into four business areas. The business area that has had the strongest performance in 2013 is Industrial Applications. We have got the three mills (two Swedish and one French) that are part of the business area, in good shape, which is evident considering the EBITDA margin, presently a bit above the 10 per cent level. Here, the future looks bright.

The decor paper market has gone through a consolidation phase over the past three years. The acquisition that Munksjö conduct-

ed in 2011 by acquiring ArjoWiggins' decor paper operation has significantly reinforced our Decor business area. This has led to continued successes in 2013 and meant that the business area has been able to deliver a result on par with Industrial Applications. Munksjö is now belongs to one of two world leaders in the decor paper industry.

Recently, new players in the Release Liners market have contributed to increased competition, which has resulted in several tough years. Despite this, with strong product development and a great product range, the business area is improving its position step by step. The business area also includes the pulp mill, Aspa Bruk, which showed good results in the second half of 2013. In addition, "Coated specialities," our Brazilian operation which makes coated and uncoated paper for labels and packaging is no longer in a downward trend.

The challenge lies with the Graphics and Packaging business area, where earnings were weighed down by significant overcapacity, mainly for coated papers in Europe. The action program that was launched in 2013 has now begun to give results and will lead to successive cost savings in 2014 coupled with an improved product range.

A leading specialty paper company

Munksjö is a leading global specialty paper company with leading positions in a number of specialty paper segments coupled with a high level of customer service. We are active within the paper segment with predominantly high annual organic growth. There are still many opportunities for Munksjö, over time, to also grow strategically within specialty papers. We will utilise this and let the Company grow in a controlled and profitable manner.

Shareholder value

We shall always have our shareholders' best interests in focus in everything that we do. Dividend payments to our shareholders will always be a priority and is also defined as one of our three financial goals. With high profitability and strong cash flow as the foundation, total shareholder value will be achieved.

From consolidation to increased profitability

2013 was a very intensive year for the new company, with a huge focus on integration. 2014 will be a more normal year, with the highest priority on profitability and cash flow. It is with great commitment and a high degree of hard work that the organisation has taken on this major task of developing this fine company and meeting the established goals for higher profitability. The new Munksjö is a different paper company – a company for our times!

Jan Åström
President and CEO

"We shall always have our shareholders' best interests in focus in everything that we do."

Munksjö's history

500 years of innovation provides inspiration for the future

Munksjö is a suitable symbol for Nordic industrialisation. It gained momentum in the mid-1800s exactly when Munksjö was founded as part of what is probably the most Nordic industry of all – the paper industry. Much has happened over the years. Join us on an historical journey.

1492

It will actually take more than 370 years before Munksjö is founded, but today, the group includes the Arches paper mill in France. Voltaire wrote his books on Arches paper.

ARCHES®

1850–1920

1851

Ahlstrom starts sawmills, iron works and shipping operations in Finland.

1862

Munksjö AB starts production in Jönköping, Sweden.

1908

The operation in Finland focuses on machines and production of pulp, paper and lumber.

1917

Aspa bruk, Sweden is acquired, a producer of softwood kraft pulp.

1963

LP Europe International expansion with acquisition of majority interest in paper mill in Turin, Italy.

1960–1980

1970's

LP Europe starts production of Release paper in Italy.

1981–1983

Munksjö AB is transformed from a forestry company to one of the world's largest specialty paper companies.

Billingsfors paper mill, Sweden is acquired in 1982.

1990–2004

1996

Acquisition of Decor mills in Unterkochen, Germany, in Tolosa, Spain and in Fitchburg, USA.

1996

Acquisition of specialty paper mills; La Gère, Rottersac and Stenay in France.

1998

Acquisition of Decor mills in Italy.

2005–2012

2005

EQT acquires Munksjö from Jefferson Smurfit.

Hygiene business is divested to SCA and Packaging business retained by Jefferson Smurfit.

2006

Operations start in Taicang, China.

2007

Coated Specialties Joint Ventures with 60 per cent ownership in Brazil for production of specialty papers in Jacareí, São Paulo.

2007–2009

Three mills producing Decor paper closed in order to secure a competitive business environment.

2008

The remaining 40 per cent of Coated specialities Joint Venture in Brazil is acquired.

2011

Acquisition of Decor, Abrasive Backings, Pharma-ceutical papers and Fine Art Paper mills, in Arches, France and in Dettingen, Germany.

Munksjö Inpak, Norway, a producer of plastic flex-ible packaging is divested.

2012

The plan to combine Munksjö AB and Ahlstrom Corporation's Label and Processing business is published.

2013

2013

27 May combina-tion creating a new leading global spe-cialty paper company, Munksjö Oyj

7 June listing on the Helsinki Stock Ex-change in Finland.

2 December the remaining part of the combination is completed when the Jacarei mill in São Paulo, Brazil is incorporated into the Munksjö Group.

Made by Munksjö™

Geographical presence

Global reach with local presence

Munksjö has approximately 3,000 employees worldwide. Production facilities and sales offices are concentrated in Europe, but the Group is also represented in the US, Asia and South America. The head office is located in Stockholm, Sweden. The company's registered office is in Helsinki, Finland, where one of two group offices is located. The second group office is located in Jönköping, Sweden.

- Head office
- Group offices
- Production facilities
- Sales offices
- Research centre


Taicang
Helsinki
Billingsfors
Stockholm
Ed
Aspa Bruk
Jönköping
Achern
Stenay
Unterkochen
Arches
Dettingen
La Gère
Rottersac
Turin
Apprieu
Tolosa

Business area Decor

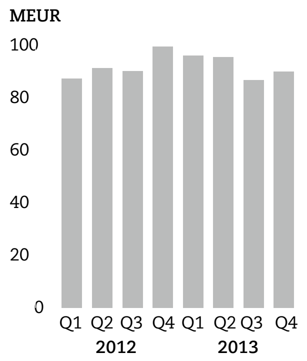
Innovative product design and customised service

FACTS

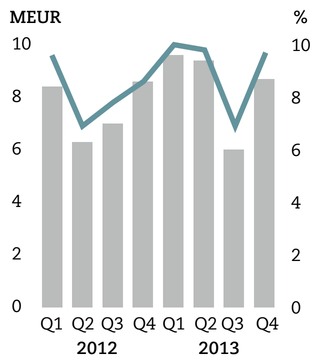
Decor paper was developed in the 1930s and got its big break in the 1950s. The Group has been manufacturing decor paper since 1948. Munksjö produces around a fifth of all the decor paper in the world market and sells to more than 300 customers in 45 different countries. The colour range is more than 15,000 different shades, of which at least 400 are white.

Munksjö is one of the leading global players in decor paper. The paper is used for surfacing of wood based materials and may be printed to imitate natural-looking wood and stone patterns or abstract designs. After impregnation and lamination, customers refine the products into durable, beautiful laminate flooring, office furniture, kitchens and other types of furniture.

NET SALES



EBITDA & MARGIN (ADJ.*)



* Adjusted for non-recurring items

Munksjö's corporate research centre supports with resources for innovation and product development. Through this, Munksjö can offer a broad product range in decor paper. This gives the company an advantage of being able to cover our customers' needs for innovative product solutions worldwide. Often, customers require technical features to adapt to their processes, and it is part of Munksjö's established customer focus to make these demands possible. On top, Munksjö has design competence where customers receive very comprehensive help in analysing colour trends.

Products based on decor paper, combining properties that provide several benefits for both society and end-users. In addition to lowering the cost, they comply with high standards of hygiene and flame retardant, their durability keeps them beautiful for a long time, and they contribute to a sustainable society since tropical hardwood varieties do not need to be harvested.

Products

Decor paper for high and low pressure laminates
Decor paper for high and low pressure laminates is designed for being processed with special resins and offers a high level of colour consistency and technical features for quick and economical impregnation. After lamination, the paper becomes durable and suitable for environments with a great deal of wear-and-tear. Examples are kitchen worktops, kitchen furniture, as well for laminate flooring.

Print-base paper
Print-base paper is a print-ready, hi-tech paper with a very smooth finish that provides good printability. After printing and lamination, the products are primarily used in the flooring and furniture industries.

Backer paper
Backer paper prevents wood-based panels from bending after lamination and also fulfills the function of being a water resistant barrier on the backside of the panels.

Pre-impregnated decor paper
Pre-impregnated decor paper is paper especially designed to be used for foils and builds an alternative surface for LPL laminates. After printing, the paper is lacquered and glued onto a particle board. End products include furniture and ceiling panels.

Thin Print papers
Thin Print papers are primarily used as packaging inserts and outserts in pharmaceutical and cosmetic industry. Important product features incorporate high opacity, excellent printing and folding properties as well as resistance.

Market drivers and trends
Munksjö believes that the growing urbanisation in the world will increase the demand for furniture and interior design products at the low and medium price segments for products such as laminates, where decor paper is included. Another trend is increased wealth in some parts of the world, which means that more and more customer groups are looking for innovative and uniquely designed interior solutions. There, laminate products have a strong position.

Environmental issues and the societal debate regarding the development of a

KEY FIGURES

MEUR	2013	2012
Net sales	368.2	368.4
EBITDA (adj*)	33.7	30.3
EBITDA margin, % (adj*)	9.2	8.2
Operating result (adj*)	21.9	19.6
Operating margin, % (adj*)	5.9	5.3
Delivery volumes, tonnes	174,800	166,500
Employees, FTE	888	911

* Adjusted for non-recurring items

The business combination has not impacted the business area and therefore no pro forma-information is presented.

32%

Percentage of net sales 2013 pro forma II (includes LP Europe and Coated Specialties from 1 January 2012)

sustainable society are issues that Munksjö deems beneficial for the company, as particle boards covered with laminate is an alternative to solid woods that require the harvesting of high-grade wood from tropical forests. Consumers' knowledge of laminate products' good environmental properties is still limited, which is why there is an untapped potential in increased information.

With a 70 percent market share (market excluding China), Europe is by far the largest market overall, and Germany is the single largest country both in terms of production and consumption of decor paper.

For Thin Print Papers new European regulations "Readability Guideline" impacting font size, leads to larger leaflets, which is favorable for the company.

PRODUCT DEVELOPMENT

The business area focuses on modifying and improving existing products together with the customers, and on changing products and processes in order to be able to deliver cost efficient new solutions. Munksjö works closely with its customers to understand their quality demands, to improve both the paper's runnability in the process and the effect on the product characteristics. There has been, and will be, continued focus on researching and developing of papers suitable for digital printing. Munksjö has already a patent but it still needs further development to meet future demand for this technology.

PRODUCT OVERVIEW

DECOR

Product	Applications	Customer groups
Decor paper for high and lower pressure laminate **Print-base paper** **Backer paper** **Pre-impregnated paper**	• Laminate flooring • Store fittings • Kitchen and bathroom fittings • Worktops • Furniture • Doors and wall panels • Interiors for mobile homes and caravans • Profiles • Façade boarding for industrial premises and apartment blocks • Balconies, pillars and plinths • Urban furniture and playground equipment	• Panel producer • Laminators • Impregnators • Printers • Lacquers • Furniture manufacturers, kitchen and bathroom interiors • Door and laminate flooring manufacturers
Thin Print paper/ Pharmaceutical leaflets	• Patient information and cosmetic leaflets • High pagination book publishing, such as law books and bibles	• Pharmaceutical and cosmetic industries • Publishing and printing houses

Business area Release Liners

Sustainable solutions for efficient self-adhesive labels

FACTS

Release papers are used as carriers of pressure sensitive adhesive (PSA) labels through printing and cutting, until application to the final product. PSA labelling was invented in the 1930s initially for price labels, and has since then grown impressively. The broad range covering all market applications, includes papers from 50 to 140 g/m² and is supplied to customers in more than 40 countries worldwide.

The business area comprises release paper, coated specialties and specialty pulp. Release papers are used as carriers of various pressure sensitive adhesive (PSA) materials and labels. Coated specialty papers are used in self-adhesive labelling and flexible packaging products, and environmentally friendly bleached and unbleached specialty softwood pulp.

Munksjö is a leading global manufacturer of release papers for the PSA industry, for a broad range of PSA labels and adhesive materials. These papers are produced both in Europe and South America. Munksjö's coated speciality papers are manufactured in Brazil and supplied to the South American converting industry, for flexible packaging of food and other consumer products.

Munksjö offers environmentally-friendly, bleached and unbleached long-fibre kraft pulp to customers with high standards for brightness, purity and strength.

Products

Release paper

Release papers produced by Munksjö can be divided into two categories based on production technology. The first category includes supercalendered papers, used mainly as carriers of PSA label materials, specialty tape, and industrial adhesive materials.

The second category includes one and two-side coated release papers that are used primarily as backings of adhesive graphics, office labels, adhesive stickers and stamps.

Munksjö markets its super-calandered release papers under the brands Acti-V™ and Silca™, and coated release papers under the brand Silco™.

Coated speciality paper

For the South American market, Munksjö produces in Brazil one-side coated papers for application as backings and labels in self-adhesive products and in flexible packaging of various types of food and non-food products, such as soap, household products, confectionary, and tobacco. This unit also supplies uncoated papers for printing and writing applications.

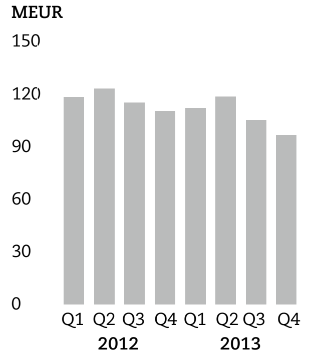
Bleached and unbleached specialty pulp

Previously its own business area (Specialty Pulp) pulp production is now a part of Release Liners business area. Munksjö produces environmentally-friendly bleached (Elementary Chlorine Free) and unbleached (Unbleached Kraft Pulp) long-fibred kraft pulp. Bleached pulp meets high standards for brightness, purity and strength and is used in graphic paper, printing and writing paper, coated paper, cardboard and hygiene products, and speciality products like switches, toilet seats and dice. Unbleached pulp is used mainly for various filters and hygiene and cardboard products. Unbleached pulp is also used for electro-technical paper and there are only a few producers in the world that can match the quality that Munksjö achieves. The product development focuses on improving these qualities.

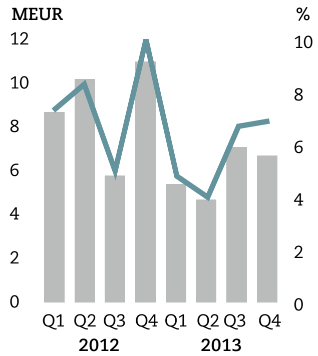
Market drivers and trends

According to Munksjö, use of labels is driven by the production and consumption of durable and non-durable goods. The market for pressure-sensitive adhesive labels and release paper is therefore linked to GDP growth. For this reason, there is higher growth in Asia and South America than in

NET SALES
PRO FORMA II[2)]



EBITDA & MARGIN (ADJ.*)
PRO FORMA II[2)]



* Adjusted for non-recurring items

KEY FIGURES

MEUR	2013	2012
Reported [1)]		
Net sales	249.1	98.2
EBITDA (adj*)	15.7	4.8
EBITDA margin, % (adj*)	6.3	4.9
Operating result (adj*)	0.4	-1.8
Operating margin, % (adj*)	0.2	-1.9
Delivery volumes, tonnes	313,500	184,600
Employees, FTE	465	169
Pro forma II [2)]		
Net sales	432.8	467.2
EBITDA** (adj.*)	23.9	35.7
EBITDA** margin, % (adj.*)	5.5	7.6
Delivery volumes, tonnes	497,530	520,882

* Adjusted for non-recurring items
** Includes stand-alone cost savings and synergies obtained after 27 May 2013
1) Includes LP Europe from 27 May 2013 and Coated Specialties from 2 December 2013
2) Includes LP Europe and Coated Specialties from 1 January 2012

38%

Percentage of net sales 2013 pro forma II (includes LP Europe and Coated Specialties from 1 January 2012)

the mature markets such as Western Europe, the US and Japan. Munksjö customers, and end-users, are becoming increasingly global. In addition, some regional players, are also increasing their international activity. Munksjö is well positioned to serve these businesses through its manufacturing platform, a global sales and service network and a coordinated management of global key customers.

Continued awareness for environmental and climate issues is increasing the demand for paper that is certified in accordance with the most recognized standards for sustainable forestry management. For pulp, environmentally-friendly production is an important competitive factor. Read more on page 27 and on www.munksjo.com.

Munksjö's pulp is sold largely to niche paper manufacturers in a wide range of industry segments. This means that the company is not affected by demand on individual markets to the same extent as other pulp producers.

PRODUCT DEVELOPMENT

After the introduction of Acti-V release papers for PSA labelling applications, the company's development team focused on extending Acti-V technology to the whole range of supercalendered papers, including those for tape and industrial applications.

Munksjö has continued to develop new supercalendered and clay-coated release papers to help customers improve quality of their products, lower their conversion costs and improve sustainability, thanks to specific surface properties or lighter weight papers.

Munksjö's coated specialties business in South America also developed several new papers, including SILCA™ Soft release paper designed for labelstock applications and Ultraprint™ designed or the transfer of printing on clothes.

PRODUCT OVERVIEW

RELEASE LINERS

Product	Applications	Customers groups
Supercalendered release papers	• Self-adhesive labelling • Double sided adhesive tapes • Industrial applications	• Self-adhesive laminate manufacturers • Industrial siliconizers
Clay coated release papers	• Self-adhesive graphics • Promotional stickers • Office labels • Industrial applications	• Self-adhesive laminate manufacturers • Industrial siliconizers
Coated and uncoated specialty papers	• Serves the South American market with self-adhesive products, labels and flexible packaging	• Labelstock manufacturer • Flexpack converters
Specialty pulp Bleached pulp	• Fine paper, writing and printing paper (coated and uncoated) • Hygiene products • Cardboard • Transparent paper and special niche products with high demands on brightness, purity and strength	• Paper and cardboard manufacturers • Manufacturers of hygiene products • Manufacturers of construction materials and sanitary products
Specialty pulp Unbleached pulp	• Specially manufactured pulp for electrotechnical paper and cardboard • Filter paper • Hygiene paper • Cardboard • Grease proof paper and packaging	• Specialty paper manufacturers • Global players in power supply • Filter paper manufacturers • Manufacturers of hygiene products • Cardboard manufacturers

Business area Industrial Applications

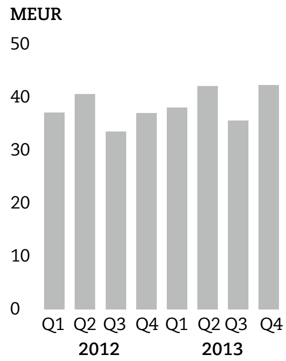
High-tech paper products for demanding industrial applications

FACTS

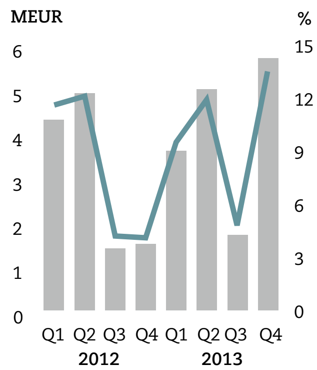
Many of the products in this business area have a very long history of innovative development. The unique artist paper, Arches®, was produced already in 1492 and the electrotechnical paper has contributed to Munksjö's success for over 100 years. Abrasive Backings are an application that must constantly evolve to meet new demands from customers and consumers, as well as new applications.

The business area offers papers for various usage areas. Abrasive backings are the basis for abrasive material primarily used in the automotive and wood industries. Electrotechnical paper is used as insulation in, for example, transformers and high voltage cables. The business area also includes Spantex®-foils for kitchen worktops and furniture, thin print paper for the metal and glass industries as well as fine art paper.

NET SALES



EBITDA & MARGIN (ADJ.*)



* Adjusted for non-recurring items

Abrasive backings is a growth area that contributes to Munksjö's vision to be a leading, global, speciality paper company; a distinct market, high market share and technically advanced manufacturing. The market for abrasive backings is growing, partly thanks to the growing automotive industry in Asia, and an expanding global furniture industry.

Electrotechnical paper has been produced since 1909. Customers are not interested in standard products but want unique expertise and functionality that supports them in creating exactly the end products they want. The requirements for this paper are very high, especially in terms of purity, strength and flexibility. For example, it must be completely free from mechanical and chemical impurities. Munksjö has the competence to produce extremely pure pulp for this paper in Billingsfors, Sweden. It has given Munksjö a worldwide reputation.

Products

Abrasive Backings

Abrasive backings serve as the base material for abrasive products used for surface finishing. Abrasive products are manufactured in various shapes, such as discs, rollers and tracks, and are used in many industrial sectors, primarily in the wood industry but also in the automotive, aviation and construction industries. Munksjö has a wide and well-known range for both dry and wet grinding.

Electrotechnical papers

Electrotechnical paper is used for electrical insulation. About 80 percent of Munksjö's production is used in transformers. The paper is also an important component in the manufacture of submarine cables with high demands on the paper's insulation abilities, purity, strength and pliability for a more sustainable system for energy supplies.

Spantex®

Spantex® is a registered trademark for impregnated paper used as so-called balance foil on wooden panels. The foil is glued to the backs, insides and exteriors of furniture so that the product will not change shape or suffer damages due to excess moisture. The range also includes durable edge banding foils; both untreated, coated, solid coloured and with wood pattern.

Thin papers

Thin paper is primarily used as interleaving paper in the steel, aluminium and glass industries. Munksjö is a major producer of thin paper: purity requirements are high since the slightest impurity, for example, bark residue, can harm rather than protect the material. The product range also includes unbleached kraft paper in the weight range 13-50 gram/m2 for different packing needs, anticorrosive paper and masking paper for the textile industry.

Fine Art papers

Fine art paper consists of Arches® paper for watercolour and oil painting. Arches® is the market leader and is considered one of the world's best watercolour papers and are used by artists throughout the world. The paper is also used in exclusive books and packaging.

Market drivers and trends

According to Munksjö, the company is one of the world's leading manufacturers of

KEY FIGURES

MEUR	2013	2012
Net sales	158.0	148.2
EBITDA (adj*)	16.1	12.2
EBITDA margin, % (adj*)	10.2	8.2
Operating result (adj*)	8.6	4.7
Operating margin, % (adj*)	5.4	3.2
Delivery volumes, tonnes	81,500	76,100
Employees, FTE	556	568

* Adjusted for non-recurring items

The business combination has not impacted the business area and therefore no pro forma-information is presented.

14%

Percentage of net sales 2013 pro forma II (includes LP Europe and Coated Specialties from 1 January 2012)

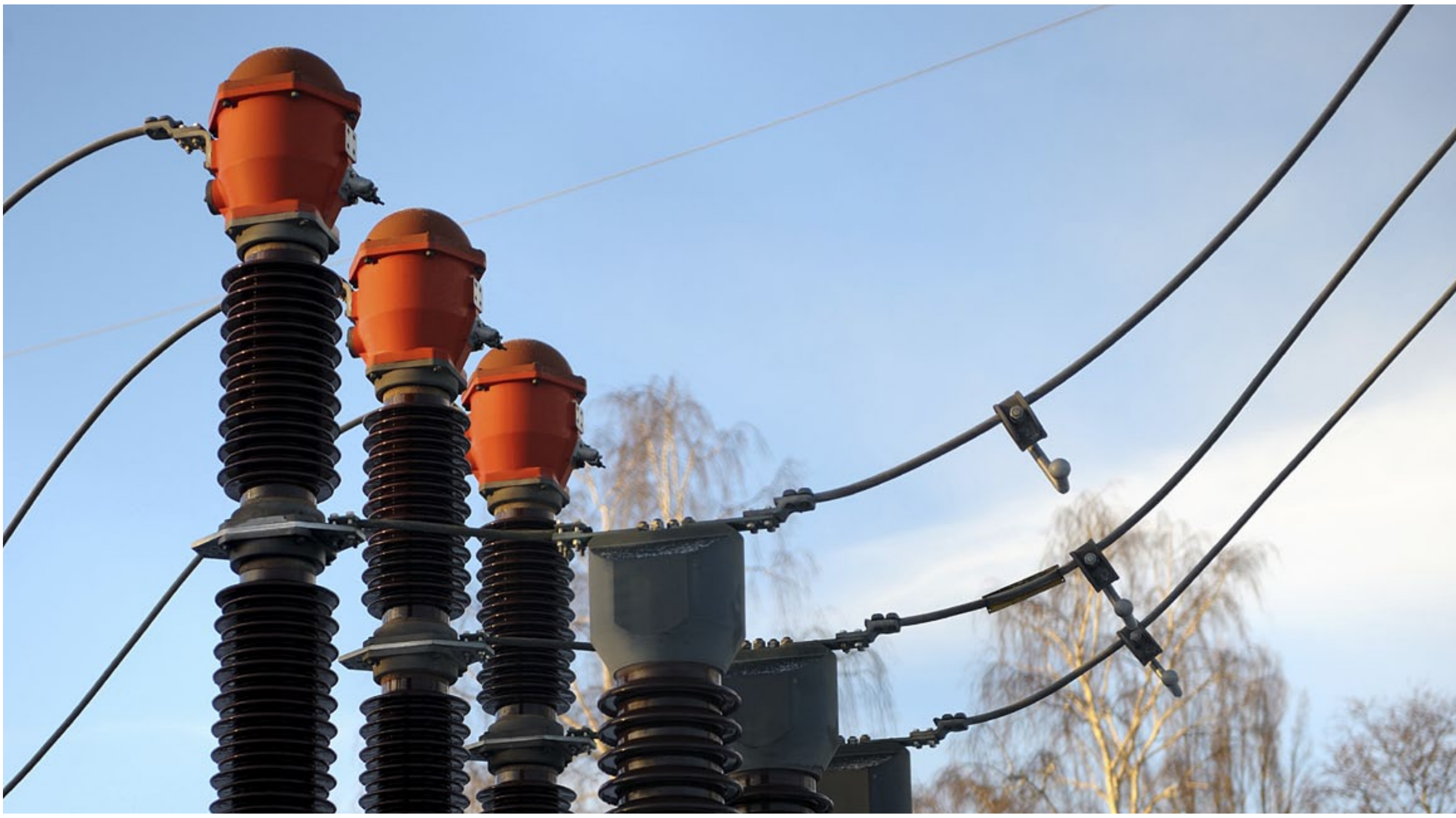
abrasive backings. Wood processing is the most important end market for abrasive backings and driven by the construction and renovation of housing, which is expected to increase in Europe. The overall market for abrasive backings is growing, primarily due to a strongly increasing demand for vehicles in Asia and a growing automotive and furniture industry there.

The increase in global energy needs and the ongoing upgrading of power grids throughout the world is driving the demand for electro-technical paper. Large parts of China, and the rest of Asia as well as Africa are still not electrified, which means there is great potential. Many states in the US have old power grids, which involve energy losses, and these need to be upgraded. In addition, there is need to link national power grids in order to smooth out the production and consumption of electricity between countries, which creates a demand for submarine cables.

Demand for thin paper is driven by the fact that the steel industry is benefiting from the trend where end consumers in the western world prefer stainless steel in kitchens, cars and other consumer products. The market for Spantex® is benefiting from the demand for furniture and kitchen interiors.

PRODUCT DEVELOPMENT

Development is done according to product group, with some common projects for raw materials and process optimisation. Within abrasive backings, Munksjö has introduced the black product "the Black line" (antistetic paper) which has improved properties for the woodworking industry. Munksjö continues to develop new features for abrasive backings, which are requested by customers. For electrotechnical paper and thin paper/Spantex®, the focus is mainly on improving existing products and processes and exploring the possibilities in connection with the current product portfolio.



PRODUCT OVERVIEW

INDUSTRIAL APPLICATIONS

Product	Applications	Customer groups
Abrasive Backings	• Abrasive backings for industrial use • Abrasive backings for consumers	• Manufacturers of abrasive materials
Electrotechnical paper	• Insulation of high-voltage cables (such as submarine cables) • Insulation of transformers • Bushings	• Local and global players in power transmission
Spantex®	• Balance foils for veneered furniture • Balance foils for laminate and veneer flooring • Balance foils for kitchen worktops • Edge-banding foils, with or without lacquering	• Manufacturers of furniture, floors and worktops
Thin paper (interleaving paper)	• Interleaving paper for steel, aluminium and glass industries • Kraft paper for packaging • Anticorrosive paper • Masking paper for textile industries	• Primarily manufacturers of high quality aluminium, glass and stainless steel • Packaging converters • Manufacturers of metal products • Pattern manufacturers
Fine Art paper	• Watercolour paper • Lithographic paper • Catalogue and brochures • Envelopes and correspondence cards/ gift certificates	• Artists • Companies with exclusive packaging • Manufacturers of books and brochures

Business area Graphics and Packaging

High performance materials to sustainably protect, wrap or enhance consumer brands

FACTS

Munksjö produces and offers one of the widest paper ranges for flexible packaging and metallized labels. Ranging from 30 to 200 g/m², it delivers a variety of properties and functionalities for the beverage, food and non-food markets' evolving needs. The mills were amongst the pioneers in developing advanced papers for flexible packaging and continue to be.

The business area's products are divided into three areas: papers for flexible packaging, mainly for food products, metallizing and facestock base papers used for labels and coated and uncoated papers in various graphics and industrial applications.

Graphics and Packaging is one of Munksjö's most diversified business areas in terms of paper products range and end-users' applications. Some of the papers, used for flexible packaging or metallized labels, offer a strong brand visibility, while some others are process papers supporting product manufacturing performance.

Collaboration with customers are essential to innovate and to meet end-users expectations – for example, within metallizing where customers along the whole value-chain have high technical requirements.

Products

Flexible packaging paper
Flexible packaging paper is a sustainable solution that enables the converters to satisfy the most demanding end-users requirements: grease barrier, aroma preservation, heat resistance, printing and others.

Munksjö combines technical expertise in fiber refinement, chemicals and surface treatments and offers today more than 100 paper products. The papers' performance and their shelf appeal support brand values in many food and non-food end-user markets: beverages, bread and bakery, confectionery, dairy, pet food, soap and pharmaceutical packaging.

For flexible packaging Munksjö has developed a marketing tool – Flexible packaging papers Tool Box – which is a complete and detailed resource to effectively communicate product benefits down the value-chain. This Tool Box provides comprehensive information about Munksjö's extensive range of flexible packaging papers.

At the same time it is an accessible tool for quickly and easily getting information about paper characteristics and converting properties for facilitating the selection of the right paper quality for specific packaging applications.

Metallizing and facestock base paper
Metallizing base paper is a product, which has been developed to be vacuum metallized by customers who use it for beverage labels (eg. mineral water, beer and spirits), the inner paper in tobacco packs or flexible packaging. Facestock base paper is a product which has been developed to be laminated to a release liner in order to get a self-adhesive label.

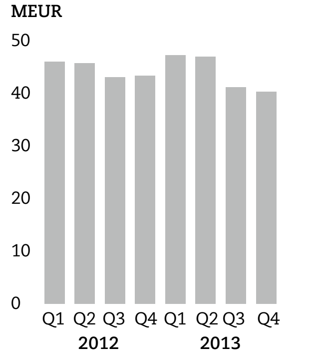
Graphics and industrial paper
Graphics and industrial papers are coated and uncoated papers for repositionable notes, thermal base paper, interleaving paper, envelope windows and various graphic applications. Munksjö's extensive range offers a variety of features: from high opacity to high transparency, different levels of gloss, different finish to adapt to customer's applications, from ultra-light (32 g/m^2) to medium-high weight (160g/m^2).

Market drivers and trends

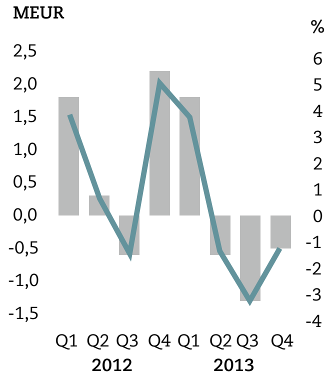
According to Munksjö, especially Flexible Packaging Paper and Metallizing and Facestock base papers, are influenced by GDP growth in Europe, where 80 percent of sales are made. Brand owners are searching for ideas to differentiate themselves. Thus, demand for packaging with metallic appearance is increasing.

The packaging must comply with food regulations and maximum consumer safety

NET SALES
PRO FORMA II[2)]



EBITDA & MARGIN (ADJ.*)
PRO FORMA II[2)]



* Adjusted for non-recurring items

KEY FIGURES

MEUR	2013	2012
Reported [1)]		
Net sales	102.4	–
EBITDA (adj*)	–1.5	–
EBITDA margin, % (adj*)	–1.5	–
Operating result (adj*)	–5.1	–
Operating margin, % (adj*)	–5.0	–
Delivery volumes, tonnes	83,700	–
Employees, FTE	262	–
Pro forma II [2)]		
Net sales	175.9	178.4
EBITDA** (adj*)	-0.6	3.7
EBITDA** margin, % (adj*)	-0.3	2.1
Delivery volumes, tonnes	145,602	142,289

* Adjusted for non-recurring items
** Includes stand-alone cost savings and synergies obtained after 27 May 2013
1) Includes LP Europe from 27 May 2013
2) Includes LP Europe from 1 January 2012, Coated Specialties does not affect this business area

16%

Percentage of net sales 2013 pro forma II (includes LP Europe and Coated Specialties from 1 January 2012)

is becoming a key parameter when developing new packaging. For instance, Munksjö designed Coralpack™ NG, a new generation of PFOA-free[1] packaging paper for greasy food products.

The demand for convenience food, such as take-away or small portions, is increasing and thus, the paper demand for flexible packaging. Demand for baking paper (consumer roll) is also increasingly replacing expensive aluminum household products.

The digitization that is happening in society reduces the demand for graphic paper and paper for traditional offset printing related business.

In the environmental area, the market also shows an increased interest and demand for products that are PEFC™ and/or FSC®-certified, which means that the products meet requirements for environmentally-adapted, socially beneficial and resource-conserving forestry.

Munksjö expects increased demand for paper used as barriers against, for example, oxygen, moisture and grease in packaging. The paper therefore becomes an environmentally-friendlier alternative to plastic.

1) Does not contain perfluorooctanoic acid (PFOA) (below current detection limits of 20ppb), and cannot release PFOA or any PFOA precursor.

PRODUCT DEVELOPMENT

Munksjö continuously upgrades its product portfolio in Graphics and Packaging by identifying and developing new grades of paper for new applications or new end-users requirements. A few examples:

Successful expansion of one-sided coated papers for metallized labels and flexible packaging to respond to the need for lighter papers while reducing end-users environmental footprint.

Projects designed to give today's products new features so customers can increase their production and/or material efficiency in the processes. For example, the customer the French association Micropap, won the contest, Oscar de L'emballage. All thanks to the development of a biodegradable, compostable and recyclable paper for soft cheese wrapping. This reflects a close cooperation between Munksjö and all actors of the value chain (from customer to converters, etc.).

PRODUCT OVERVIEW

GRAPHICS AND PACKAGING

Products	Applications	Customer groups
Flexible Packaging Paper	• Bags • Pouches • Sachets • Crimped cups • Consumer rolls • Wrappers • Lids • Bundlewraps • Trays	Manufacturers of flexible packaging for various markets: • Beverages (tea, coffee, soup) • Bread and bakery • Confectionery • Dairy products • Petfood • Pharmacy products • Other non-food markets
Metallizing and Facestock Base Paper	• Metallized labels (wet glue and pressure sensitive adhesive) • Metallized flexible packaging and inner liners • Base papers for specialized applications	• Metallizing converters for various markets: – Beer – Spirits – Mineral water – Tobacco inner-liner • Labelstock manufacturers
Graphics and Industrial Paper	Coated and uncoated papers mainly used for: • Transparent envelope windows • Repositionable notes • Other industrial applications	• Converters • Printers • Industrial manufacturers

Product development and procurement

Innovation and purchasing power

Expertise and resources from all business areas, product segments and group functions work together in product development and procurement. Innovation and purchasing power create solutions and products for a sustainable and profitable business and provide added value to customers.

”The development projects are initiated and implemented in collaboration with customers, but also within the framework of Munksjö's own product development.”

Research centre in Apprieu, France
Research and development – one of Munksjö's principal competitive factors – is critical to success in a specialty paper company. Munksjö is a specialist in paper technology, printing technology, impregnation and press technology. Knowledge combined with a complete and well-equipped research centre with total focus on meeting customers' new demands for function and quality make Munksjö a company at the forefront.

The business areas are responsible for their product development, most of which is carried out in the centre in Apprieu. Here, alternative raw materials are researched, material analyses are performed, new products are developed and patent protection for inventions and products are administrated.

With pilot equipment, the centre can produce prototypes of new paper grades and evaluate their characteristics (optical and mechanical). Using scientific methods, the company can now categorise both own and customers' products by analysing the structures and components (fibres and chemicals).

Development projects are initiated and implemented in collaboration with customers, but also within the framework of Munksjö's own product development.

Procurement and purchasing
Munksjö's purchasing strategy is to offer suppliers business opportunities with the entire group in order to get the lowest total cost and best possible service. The purchasing organisation uses a structured method that guarantees a complete and systematic process for each procurement.

Munksjö's purchasing organization includes nine different categories, and employees from each business area offer their expertise to achieve the best possible result. These groups carry out joint purchasing and procurement activities and evaluate the suppliers' work and manufacturing processes. The categories include the following areas: pulp, titanium dioxide and fillers, logistics, packaging, maintenance and investments, energy, chemicals, felted cloth and wire gauze as well as paints and pigments.

With the acquisition of the production facilities Stenay, Rottersac and La Gère in France, Jacarei in Brazil and Turin in Italy, Munksjö's purchasing power increased significantly. In some areas it more than doubled. For most categories, purchases with the Ahlstrom Group are also coordinated so that larger purchasing volumes can be achieved. Purchases of larger quantities make the company an even more attractive business partner and substantially improves its bargaining power. However, this does not mean that Munksjö chooses to have only one supplier for each product. Munksjö also seeks to avoid unilateral supplier dependencies in order to reduce the risk for shortages of raw materials and to preserve flexibility and freedom of action.

Corporate responsibility

Munksjö works based on environmental and sustainability considerations

Munksjö is committed to ensuring that its operations are conducted and developed in a sustainable way and wants, through its operations, to contribute to sustainable development in terms of economic, environmental and social issues, and through that create benefits for the company's shareholders, employees, customers, suppliers and other stakeholders.

ENVIRONMENTAL RESPONSIBILITY

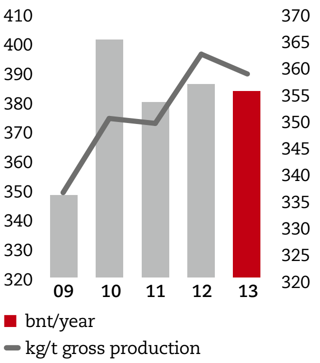
Munksjö strives to continuously improve measures for sustainable development and expects the same actions and commitment from its suppliers, subcontractors and business partners. Munksjö shall be successful through a sustainable operation.

Munksjö's sustainability policy

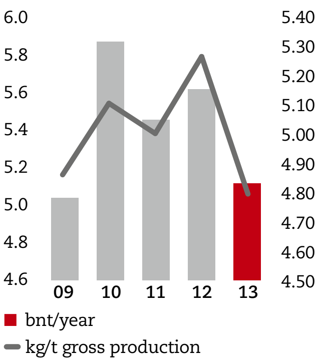
- Munksjö conducts its operations in a manner that meets high environmental standards and in accordance with the requirements of the Group's licensed businesses.
- Munksjö's products and manufacturing processes are designed so that energy and raw materials are used efficiently and that waste and waste products are minimised.
- Munksjö's products are mainly produced from renewable raw materials.
- Munksjö strives to ensure that the origin of its raw materials are in compliance with applicable laws and regulations and promotes sustainable forestry.
- Munksjö supports the precautionary principle by avoiding materials and methods that involve environmental and health risks when suitable alternatives are available.
- Munksjö promotes the use of recognized environmental management systems throughout its entire organisation.
- Munksjö believes that transparency about the company's environmental ambitions is an important fundamental principle and strives to create a dialogue with various stakeholders to develop a world-leading working method.
- Munksjö reviews, monitors and report on its environmental impact, with particular emphasis on evaluating the potential risks for current and future products and operations.

”Sustainability – social and environmental responsibility in balance for economic success.”

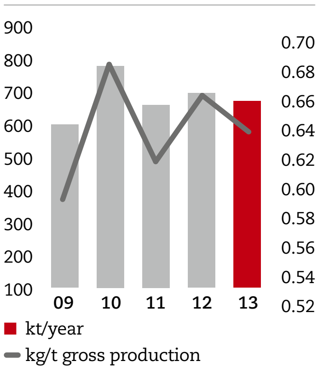
EMISSION TO AIR – CO_2*



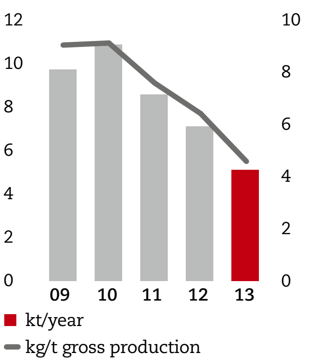
EMISSION TO WATER COD*



EMISSION TO AIR* – NOx



LANDFILL WASTE*



* Figures based on internal reporting from Munksjö Group's current production facilities.

Innovation and new products
Environmental work includes innovations in development and information regarding products, an efficient and controlled production process, as well as knowledge and communication from an environmental perspective. Munksjö is constantly working to offer a strong environmental range whereby:

- promoting the use of recognised environmental management systems throughout its entire organisation.
- producing products mainly from renewable raw materials that are recyclable and safe to use.
- supporting sustainable forest management and actively participates in the development, together with our partially-owned forestry company, Sydved, and their partners, to increase the amount of certified wood.
- offering pulp produced by FSC® or PEFC™ certified wood and paper from certified pulp.

Important sustainable product innovations
By incorporating sustainability in our innovation operations, we have achieved resource efficiency, reduced costs and less environmental impact.

The business area, Graphics and Packaging, offers a grease proof paper (Coralpack™ NG), free from trace amounts of PFOA[1] that can derive from flourochemicals during the paper production process. Paper packaging is gaining ground with consumers compared to plastic solutions.

Hazard analysis[2] work will continue in 2014 and critical control points (HACCP [3]) will be implemented for any food packaging and will be audited by a third party. This also provides security and safety for food packaging. The goal for the business area is to be ISO 22000:2005 certified in 2015.

In our business area, Release Liners, converters can save energy, silicon, platinum and increase speed by using our release paper Acti-V™.

Munksjö launched a recycling program in 2013 for release paper. Silicone-coated paper is collected and recycled into new paper. More information is available at www.full-circle.eu.

Climate
Paper and pulp production causes emissions to both air and water. Munksjö constantly strives to reduce emissions to water and air in order to minimise environmental impact. Environmental legislation and certification in accordance with ISO 14001:2004 or ISO 14001:2009, ensures the company's high environmental standard. Additional certificates are available at www.munksjo.com. But Munksjö is not merely content with certifications, but constantly strives to make improvements.

Munksjö's production processes and products are subject to extensive regulation primarily in regard to the environment, health and safety, and require permits in accordance with environmental legislation. They contain, among other things, specific conditions for production volumes, emission and noise levels, and also waste and chemical handling. In 2013, investments have resulted in lower emissions to both air and water.

Paper and pulp production requires large amounts of energy. That is why Munksjö has since long taken various measures, for example, utilising wastewater heat, incinerating waste products and using back-pressure turbines for electricity generation. This has reduced the need for externally provided energy.

For example in Billingsfors, Sweden, Munksjö has been supplying district heating to a large number of homes and several rental and commercial properties since 2012. The energy comes from waste heat in the pulp and paper production. A turbine was put into operation in January 2009 and covers most of the production facilities' energy comsumption. As Billingsfors produces green electricity in the steam turbines, the facility has been allocated an electricity certificate for 15 years, through 2024.

Waste (reduction of landfill deposits)
Munksjö's production processes and products, which by their nature require the use of chemicals and materials that are potentially harmful to the environment, also result in certain waste products. In 2013, the amount of waste sent to landfill decreased through efficient recycling and sorting of materials and energy reuse.

[1] perfluorooctanoic acid
[2] analysis of the hazards in operation that are important for food security
[3] Hazard Analysis and Critical Control Points

SOCIAL RESPONSIBILITY

In many cases, Munksjö develops and supplies qualified products of world-leading quality. This is only possible if the company has competent, healthy and motivated employees. The company aims to that every employee, together with their immediate supervisor creates an action plan for their own development within the company. Actions and activities in the plan will lead to both professional and personal development in line with the company's strategies and needs.

For some years now, Munksjö has had special internal programs to develop promising employees into leaders within the company. The content consists of, among other things, leadership, communication and personal development. On behalf of the management group, the participants also worked together on projects with different business challenges. After completing the training, each participant is assigned a mentor from the management group.

Respect for people

For Munksjö, it is of great importance to promote a non-discriminatory culture based on responsibility, competence and respect for each person's equal value. In addition, employees have the right to choose whether to be represented by recognized trade unions or not. The company respects employees and their employee organisations' right to negotiate collective bargaining agreements.

Munksjö's methods are based on internationally recognized labour standards and complying with the rules that are applicable in those countries in which it operates. The company has good relationships with relevant employee organisations and unions.

Code of Conduct forms the foundation

Munksjö has formulated a Code of Conduct, which states the principles for the company's dealings with employees, business partners and other stakeholders, see the company's website. Corporate management and other employees have a collective responsibility for ensuring that the code is complied with. In addition, there are more group-wide policy guidelines that set limits or guidelines in different situations.

Employee Council for Corporate Affairs

Munksjö operates in several countries and has therefore chosen to have a European Works Council, Munksjö Work Council (MWC). The council's mission is to share information and enable consultations between employees and management on matters of common interest. The aim is to help the company in achieving its business objectives.

MWC consists of eleven representatives, elected at each respective work site, who serve for four years at a time. They have two meetings per year and standing items on the agenda consist of information from corporate management regarding corporate activities and financial accounts, as well as the exchange of information between the work sites.

Bridging and integrating two cultures

A comprehensive cultural due diligence-analysis was conducted in 2013 for three purposes. Partly to understand the cultures of Munksjö and Ahlstrom's Label and processing business, partly to define the new common culture and the value-added features that should not be lost, and partly to establish the strategies and the direction that is the foundation for business development.

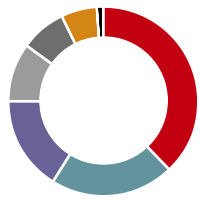
Health and Safety policy

Munksjö strives to ensure the health, safety and welfare of all those involved in the business. A work environment free of accidents is of paramount importance for the company. In 2013 the company conducted a comprehensive analysis of all production facilities worldwide, which resulted in a new program for health and safety.

Key goals and actions are:

1. No accidents resulting in lost work time.
2. All production facilities shall be certified according to OHSAS 18001, all employees trained within behaviour-based safety, and there will be full compliance with corporate policy and other rules for health and safety at the workplace. See the certificate at www.munksjo.com.
3. To incorporate health and safety as an important part of the business and operation of the facilities.
4. As a minimum, to comply with local laws, regulations, and recommendations from authorities, and if they are insufficient, to act according to Munksjö's practice.

EMPLOYEES PER COUNTRY



France	38%
Sweden	21%
Germany	16%
Italy	10%
Brazil	8%
Spain	6%
Other	1%

At the end of the year, Munksjö had 2 893 (1 769) employees, corresponding to 2 216 (1 679) full-time employees. The average age of Munksjö's employees is 45 years with an average term of employment of 16 years. Staff turnover for the Group as a whole is low and amounts to less than one percent.

Munksjö for investors

The objective of Munksjö's financial communication and investor relations is to provide relevant, open and prompt information on Munksjö as a company and as an investment in order to secure that investors and financial analysts are able to analyse the company and contribute to its fair valuation.

Shares and shareholders

Share information

The trading in Munksjö Oyj's share commenced on the mid-cap list of NASDAQ OMX Helsinki on 7 June 2013. Munksjö Oyj has one share series and all shares carry one vote each and have equal rights. The trading code of the share is MUNK1 and the ISIN-code is FI4000048418.

At the end of 2013 the total number of shares was 51 061 581 and the share capital entered in the trade register was EUR 15,000,000. From the listing of the company on 7 June 2013 until the completion of the transaction on 2 december 2013, the number of shares was 38,769,590. Munksjö did not hold any own shares in 2013.

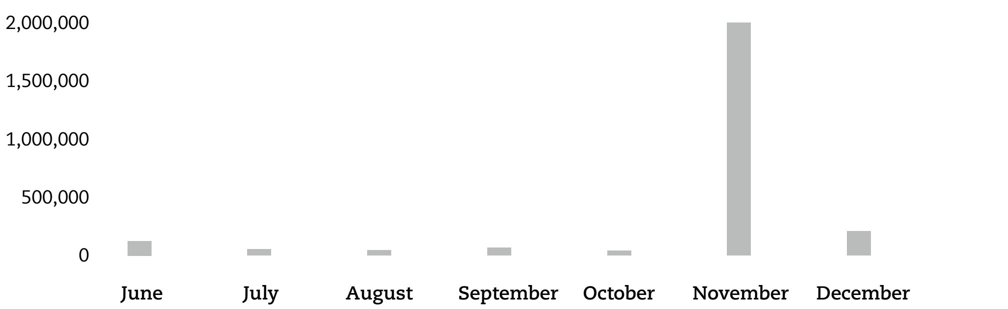
Share development in 2013

In 2013, the price of the Munksjö share decreased by 9.2%, while the index Nasdaq OMX Helsinki (OMXHPI) rose by 22.2% and the OMX Helsinki Mid Cap (OMXHMCPI) rose by 17.3%. The highest closing share price was EUR 6.10 and the lowest EUR 4.62. On the last trading day of 2013, 30 December, the share price was EUR 5.40 and the corresponding market capitalisation was EUR 275.7 million. The volume weighted average price of the year was EUR 4.84. The trading volume on NASDAQ OMX Helsinki was 2,540,515 shares, equivalent to a turnover of EUR 12,160,016. Munksjö's share is also traded on alternative exchanges, such as BATS Chi-X, however the trading volume on these alternative exchanges in 2013 was marginal. Further information on the share development is available at www.munksjo.com > Investors.

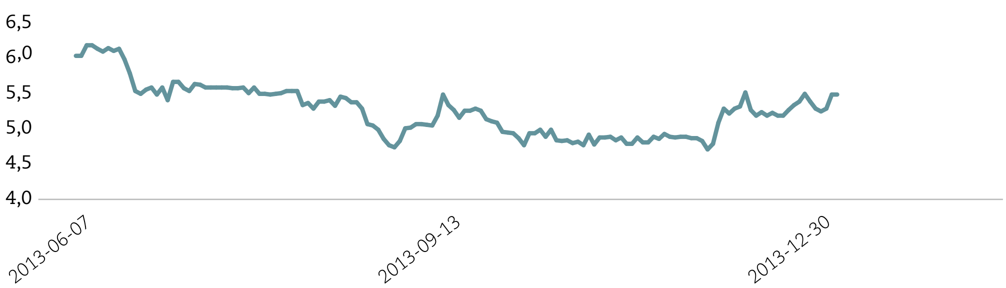
Board authorisations

Information on the Board's authorisation to repurchase and distribute the company's own shares is available in the Board of Director's report on page 47.

MONTHLY TRADING VOLUME 2013



CLOSING PRICE OF THE SHARE IN 2013 (EUR)



Shareholders
At the end of 2013, Munksjö had approximately 12 150 shareholders. The largest owners were EQT III, a fund managed by EQT, with a holding of 24.4 % and Ahlstrom Corporation with a holding of 17.8 %. Further information on holdings, the shareholder structure and flagging notification from the largest shareholders is available at www.munksjo.com > Investors.

Munksjö on the capital markets
Munksjö publishes annually three interim reports, one Financial Statements Bulletin and one Annual Report as well as stock exchange and press releases. Stock exchange releases provide information on news that could affect the share price while press releases provide information on business-related news or other news of general interest to stakeholders of the company. In 2013 the IR team, consisting of Munksjö's CEO, CFO, Senior Vice President, HR & Communication and IR Manager, conducted an active dialogue with capital market representatives. The team met with investors both in individual as well as group meetings and also actively attended investor seminars arranged for institutional investors. Preceding the stock exchange listing, Munksjö arranged an evening for its shareholders in Helsinki in May and during 2013 also attended several events arranged for private investors in Helsinki and Stockholm.

Annual General Meeting 2014 and the Board's dividend proposal
Annual General Meeting 2014
Notice is given to the shareholders of Munksjö Oyj to the Annual General Meeting to be held on Wednesday, April 2, 2014 at 1:00 p.m. at the Finlandia Hall, A-hall, Mannerheimintie 13 e, Helsinki, Finland (entrance M1 from Mannerheimintie and K1 from the Karamzininranta -street). The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 12:00 a.m. Registration for the meeting is requested to be made no later than 12:45 p.m.

Each shareholder, who is registered on March 21, 2014 in the shareholders' register of the Company held by Euroclear Finland Ltd., has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the Company.

A shareholder, who wishes to participate in the Annual General Meeting, shall register for the meeting by giving prior notice of participation on March 27, 2014 at 4:00 p.m., at the latest. Such notice can be given:

– on the Company's website www.munksjo.com/agm
– by email to yhtiokokous@munksjo.com,
– by mail to Munksjö Oyj, AGM, Kasarmikatu 46-48, 00130 Helsinki, Finland, or
– by phone during office hours to +358 (0)10 234 5004

The Notice of the AGM as well as further information is available at www.munksjo.com/agm.

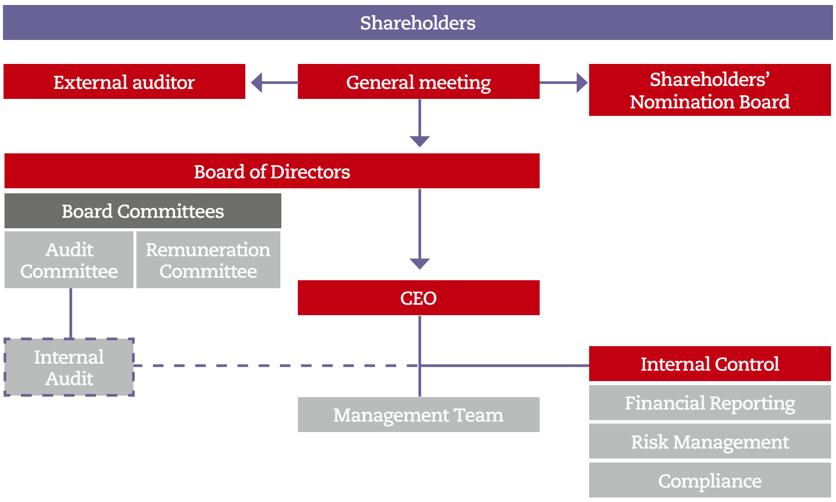
The Board of Director's proposal to pay dividend
There are no distributable retained earnings in the balance sheet of Munksjö Oyj as per 31 December, 2013 and the Board of Directors proposes that no dividend will be paid for the fiscal year 2013.

The Board of Directors proposes that the Annual General Meeting would decide to pay funds from the reserve for invested non-restricted equity as return of equity based on the balance of 31 December 2013 adopted by the Annual General Meeting, the amount of return being EUR 0.1 per share. The return of equity shall be paid to a shareholder who on the record date of the payment 7 April 2014 is registered in the shareholder register of the Company held by Euroclear Finland Ltd. The Board further proposes that the return of equity shall be paid to the shareholders on 14 April 2014.

Munksjö as an investment
Further information on Munksjö as an investment is available on the investor website at www.munksjo.com > Investors. The website is updated regularly.

Corporate Governance

CORPORATE GOVERNANCE STRUCTURE



Munksjö Oyj ("Munksjö" or the "Company") is a Finnish public limited liability company, the share of which were listed on NASDAQ OMX Helsinki Ltd on 7 June 2013. In its corporate governance, Munksjö complies with applicable laws and regulations, including without limitation, the Finnish Companies Act (624/2006, as amended), the Finnish Securities Markets Act (746/2012), the rules of NASDAQ OMX Helsinki Ltd as well as the Company's Articles of Association. In addition, Munksjö complies with the Finnish Corporate Governance Code issued by the Securities Market Association in 2010 ("Code"). The Code is available at www.cgfinland.fi. The Company does not deviate from any of the recommendations of the Code.

Up until 27 May 2013, Munksjö was a dormant company owned by EQT and Ahlstrom Corporation. On 27 May 2013, through the partial demerger of Ahlstrom Corporation, its Label and Processing business was transferred to Munksjö and combined with Munksjö AB forming one of the world's largest specialty paper companies. Consequently, the governance and events prior to 27 May 2013 will not be described in this Corporate Governance Statement unless they have an impact on the time after 27 May 2013.

Munksjö's Corporate Governance Principles have been approved by the Board of Directors of Munksjö.

This statement has been prepared in accordance with Chapter 7, Section 7 of the Securities Markets Act and Recommendation 54 of the Code. The statement has been reviewed by the Company's Audit Committee and checked by the Company's auditor. This statement is presented as a separate report from the Board of Director's Report.

Corporate Governance Structure

Munksjö's governance is based on a clear division of duties between the General Meeting, the Board of Directors and the CEO.

General Meeting

The General Meeting is Munksjö's highest decision-making body and normally convenes once a year. Its tasks and procedures are defined in the Finnish Companies' Act and the Company's Articles of Association. Certain important matters, such as amending the Articles of Association, approval of the Financial Statements, approval of the dividend, election of the members of the Board of Directors and the auditors fall within the sole jurisdiction of the General Meeting.

The General Meeting is convened by the Board of Directors. The Annual General Meeting shall be held within six (6) months of the end of the financial year. An Extraordinary General Meeting shall be held whenever the Board of Directors deems necessary, the auditor of the company or shareholders with at least 10 % of the shares so demand in writing in order to deal with a given matter, or if this is otherwise required by law.

The General Meeting handles the matters presented on the agenda by the Board of Directors. According to the Finnish Companies Act a shareholder may also request that his/her proposal be handled at the next General Meeting. Such a request shall be made in writing to the Company's Board of Directors at the latest on the date specified by the Company on its website. The request is always deemed to be on time, if the Board of Directors has been notified of the request no later than four (4) weeks before the delivery of the notice of the General Meeting.

According to the Company's Articles of Association notices of the General Meetings are published on the Company's website no earlier than three (3) months and no later than three (3) weeks prior to the General Meeting. The notice shall in any event be published no later than nine (9) days before the record date of the General Meeting. In addition, the Board of Directors may decide to publish the notice in full or in part in an alternative manner as it deems appropriate. The notice shall contain information on the matters to be handled at the General Meeting and other information required under the Companies Act and the Code.

The notice of the General Meeting, documents to be submitted to the General Meeting (e.g. financial statements, report by the Board of Directors, auditor's report) and the resolution proposals to the General Meeting are made available on the Company's website at least three (3) weeks before the General Meeting.

The minutes of the General Meeting are published on the Company's website within two (2) weeks after the General Meeting. In addition, the decisions of the General Meeting are also published by means of a stock exchange release immediately after the General Meeting. The documents related to the General Meeting are available on the Company's website at least for a period of three (3) months after the General Meeting.

Shareholders may attend a General Meeting either in person or by proxy. Notification regarding attending a meeting must be made by the date mentioned in the notice to the General Meeting. Only shareholders, who are registered in Munksjö's shareholders' register maintained by Euroclear Finland Ltd on the record date (i.e. eight (8) working days before the General Meeting) are entitled to attend a General Meeting. Holders of nominee registered shares may be registered temporarily in said shareholders' register and therefore, they are advised to request from their custodian banks necessary instructions regarding such temporary registration and the issuing of proxy documents. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder.

The Board of Directors may decide that the shareholders may participate in the General Meeting by post or telecommunications or by other technical means.

Munksjö has one series of shares. Each share has one vote in all matters dealt with by a General Meeting. A shareholder shall have the right to vote at the General Meeting, if he/she has registered to participate in the meeting by the date specified in the notice to the General Meeting, which date shall not be earlier than ten (10) days before the meeting. A shareholder may at the General Meeting vote with different shares in a different manner and a shareholder may also vote with only part of his/her shares. The Articles of Association of Munksjö include no redemption clauses or voting limitations.

Most resolutions by the General Meeting require a simple majority of the votes cast at the meeting. In an election, the person receiving the highest number of votes shall be deemed elected. The General Meeting may, however, prior to an election, decide that to be elected, a person shall receive more than half of the votes cast. However, there are several matters, which according to the Companies Act require a two-third (2/3) majority of the votes cast and of the shares represented at the meeting.

The Annual General Meeting was held on 13 May 2013 prior to the formation of the new group on 27 May 2013 with the only two shareholders of the Company participating.

Shareholders' Nomination Board

Based on the proposal by the Board of Directors, the Annual General Meeting on 13 March 2013 resolved to establish a Shareholders' Nomination Board for an indefinite period to prepare proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of the Board committees and the Nomination Board.

According to the charter of the Nomination Board, it shall comprise representatives of the three largest shareholders of the Company and, in addition, of the Chairman of the Board and a person nominated by the Company's Board of Directors as expert members.

The right to nominate the shareholder representatives lies with those three shareholders whose share of all the voting rights in the Company is on 31 May preceding the next Annual General Meeting the largest on the basis of the shareholders' register of the Company held by Euroclear Finland Ltd. However, holdings by a shareholder who, under the Finnish Securities Market Act, has the obligation to disclose its shareholdings (flagging obligation) that are divided into several funds or registers, will be summed up when calculating the share of all the voting rights, provided that such shareholder presents a written request to that effect to the Chairman of the Company's Board of Directors no later than on 30 May preceding the next Annual General Meeting.

Further, holdings by a group of shareholders, who have agreed to nominate a joint representative to the Nomination Board, will be summed up when calculating the share of all the voting rights, provided that the shareholders in question present a joint written request to that effect together with a copy of such an agreement to the Chairman of the Company's Board of Directors no later than on 30 May preceding the Annual General Meeting. Should a shareholder not wish to use its nomination right, the right transfers to the next largest shareholder who would otherwise not have a nomination right.

The shareholders have appointed the following three (3) members as their representatives in the Nomination Board: Caspar Callerström, chairman, Timo Ritakallio and Thomas Ahlström. The Chairman of the board Peter Seligson and the Vice Chairman Fredrik Cappelen will act as expert members of the Nomination Board. In 2013, the Nomination Board held three[1)] meetings and the attendance of the members is set forth in the table below.

In those meetings the Nomination Board discussed the performance of the board members inter alia based on the self-assessment made by the Board of Directors and assessed the competencies required in the Board of Directors in Munksjö. In addition, the Nomination Board reviewed the compensation level of the members of the Board of Directors based on bench marking with other companies in Munksjö's peer group.

On 20 January 2014 the Nomination Board proposed to the Annual General Meeting to be held on 2 April 2014 that the number of board members would be increased to seven and that of the current members of the Board of Directors, Peter Seligson, Sebastian Bondestam, Fredrik Cappelen, Hannele Jakosuo-Jansson and Elisabet Salander Björklund, would be re-elected. In addition, it proposed that Caspar Callerström and Alexander Ehrnrooth would be elected as new members of the Board of Directors.

The Board of Directors

The Board's role is to manage the Company's business in the best possible way and in their work protect the interests of the Company and its shareholders. In accordance with the Articles of Association of Munksjö, the Board of Directors shall consist of a minimum of four (4) and a maximum of eight (8) members elected by the General Meeting. The members of the Board of Directors shall be appointed for one year at a time. The Shareholders' Nomination Board prepares a proposal on the composition of the Board to the Annual General Meeting for its decision.

Munksjö's Board members shall be professionally competent and as a group have sufficient knowledge of and competence, inter alia, in the Company's field of business and markets. The majority of the directors shall be independent of the Company. In addition, at least two of the directors shall be independent of significant shareholders of the Company.

The Board has general authority to decide on and act in any matters not reserved by law or under the provisions of the Articles of Association to any other governing body of the Company. The Board of Directors is responsible for the management of the Company and its business operations. Additionally, the Board is responsible for the appropriate arrangement of the bookkeeping and financial administration.

The operating principles and main duties of the Board of Directors have been defined in the Procedural Rules for the Board of Directors and include, among other things, to:

- establish business objectives and strategy,
- appoint, continuously evaluate and, if required, remove the CEO from office,
- ensure that there are effective systems in place for monitoring and controlling the Group's operations and financial position compared to its stated objectives,
- ensure that there is satisfactory control of the Company's compliance with laws and other regulations applicable to the Company's operations,
- ensure that guidelines to govern the Company's and the Group's ethical conduct are adopted, and
- ensure that the Company's external disclosure of information is marked by openness and is correct, timely, relevant and reliable, by way of, among other things, adopting a communication policy.

The Board of Directors makes a self-assessment of its performance, practices and procedures annually.

The Annual General Meeting held on 13 May 2013, confirmed the number of board members to be six (6). Sebastian Bondestam, Fredrik Cappelen, Hannele Jakosuo-Jansson, Jarkko Murtoaro, Elisabet Salander Björklund and Peter Seligson were elected board members. Information of the board members and the shareholdings are set forth at the end of this statement.

All board members are independent of the Company in addition to which Sebastian Bondestam, Fredrik Cappelen, Hannele Jakosuo-Jansson, and Elisabet Salander

SHAREHOLDERS' NOMINATION BOARD ATTENDANCE

Name	Attendance (number of meetings[1)])	Attendance, %
Caspar Callerström	3 (3)	100
Timo Ritakallio	3 (3)	100
Thomas Ahlström	3 (3)	100
Fredrik Cappelen	2 (3)	67
Peter Seligson	3 (3)	100

1) Including the meeting held in January 2014

Björklund are independent of the significant shareholders of the Company

In 2013, the Board convened seven (7) times, including two meetings held as telephone or audio visual meetings. The attendance of the individual board members is set forth in the table to the right.

Board Committees

The Board annually appoints an Audit Committee and Remuneration Committee and may also appoint other permanent committees if considered necessary at its organization meeting following the Annual General Meeting. The composition, duties and working procedures of the committees shall be defined by the Board in the charters confirmed for the committees. The committees regularly report on their work to the Board.

Audit Committee

The Audit Committee consists of at least three (3) members, all of which shall be Board members who are independent of the Company and shall have the qualifications necessary to perform the responsibilities of the committee. At least one member shall be independent of the significant shareholders and at least one member shall have expertise specifically in accounting, bookkeeping or auditing. All members of the committee shall be versed in financial matters.

According to its Charter, the Audit Committee assists the Board in fulfilling its supervisory responsibilities and also prepares certain accounting and auditing matters to be handled by the Board. In addition, the Audit Committee makes recommendations for the election and removal of the external auditors and for their compensation and approves the external auditors' audit plan based on the auditors' proposal. Among its other duties, the Audit Committee reviews and monitors the financial reporting process, the efficiency of the system of internal control and risk management, and the audit process.

On 25 June 2013, the board appointed two committees, the Audit Committee and the Remuneration Committee. The members of the Audit Committee are from said date Elisabet Salander Björklund (Chair), Sebastian Bondestam and Jarkko Murtoaro. All members of the Audit Committee are independent of the Company and have expertise in accounting, bookkeeping or auditing and are versed in economic and financial issues. The attendance of the individual committee members is set forth in the table above.

BOARD OF DIRECTORS' ATTENDANCE

Name	Attendance (number of meetings)	Attendance, %
Fredrik Cappelen	7 (7)	100
Sebastian Bondestam	6 (7)	86
Hannele Jakosuo-Jansson	7 (7)	100
Jarkko Murtoaro	7 (7)	100
Elisabet Salander Björklund	7 (7)	100
Peter Seligson	7 (7)	100

AUDIT COMMITTEE ATTENDANCE

Name	Attendance (number of meetings)	Attendance, %
Sebastian Bondestam	4 (5)	80
Jarkko Murtoaro	5 (5)	100
Elisabet Salander Björklund	5 (5)	100

REMUNERTION COMMITTEE ATTENDANCE

Name	Attendance (number of meetings)	Attendance, %
Peter Seligson	3 (3)	100
Fredrik Cappelen	3 (3)	100
Hannele Jakosuo-Jansson	3 (3)	100

Remuneration Committee

The Remuneration Committee consists of at least three (3) members, all of which shall be Board members who are independent of the Company. Representatives of the Company's senior management may not be members of the committee.

According to its Charter, the Remuneration Committee assists the Board in the efficient preparation and handling of the matters pertaining to the appointment and dismissal of the CEO and other executives and their remuneration.

On 25 June 2013, the board appointed two (2) committees, the Audit Committee and the Remuneration Committee. The members of the Remuneration Committee are from said date Peter Seligson (Chairman), Fredrik Cappelen and Hannele Jakosuo-Jansson. The attendance of the individual committee members is set forth in the table above.

CEO

The CEO of Munksjö is appointed by the Board. The CEO is in charge of the day-to-day management of the Company. The duties of the CEO are governed primarily by the Finnish Companies Act. The CEO leads the operational activities and prepares information and decisions to support the Board and presents his findings at Board meetings.

In accordance with the Finnish Companies

Act, the CEO has a right to decide himself on certain urgent matters which otherwise would have required a board decision.
Jan Åström is the CEO of the Company. Biographical details of the CEO and his shareholdings are set forth at the end of this statement.

Management Team

The Management Team consists of the CEO, functional managers and managers of the business areas. The members of the Management Team are proposed by the CEO and appointed by the Board. The members of the Management Team report to the CEO.

The CEO, CFO and functional leaders meet with the Business Area leaders and other Business Area management monthly to discuss the business areas' performance and financial status. In addition, the Management Team meets to discuss issues concerning Group performance, strategy, budget, forecasting, business development and other matters relating to the Group. In accordance with the policies and guidelines established by the Board, Group functions are responsible for business development, distribution of financial resources between the Group's operations, capital structure and risk management. Their duties also include matters concerning Group-wide research and development, acquisitions and disposals, purchasing coordination, consolidated financial reporting, Human Resources, internal and external communications, IT, legal matters and coordination and monitoring of safety, environmental, occupational health and quality and some major projects.

At the end of 2013, the Management Team consisted of ten (10) members. The composition of the Management Team, biographical details, the areas of responsibility of its members and the members' shareholdings in the Company are described at the end of this statement.

Remuneration

The remuneration of the members of the Board of Directors, the Board committees and the Shareholders' Nomination Board is decided by the Annual General Meeting of Munksjö based on a proposal by the Shareholders' Nomination Board.

The Board of Directors decides on the remuneration of the CEO based on a proposal by the Remuneration Committee and on the remuneration of the senior executives based on a proposal by the CEO, which is reviewed by the Remuneration Committee.

In accordance with the Finnish Corporate Governance Code the Company publishes its Remuneration Statement on the Company's website.

Auditor

The main function of the statutory audit is to verify that the financial statements provide true, accurate and sufficient information on the Munksjö Group's performance and financial position for the financial year. The Munksjö Group's financial year is the calendar year.

The auditor's responsibility is to audit the correctness of the Group's accounting in the respective financial year and to provide an auditor's report to the General Meeting. In addition, Finnish law requires that the auditor also monitors the lawfulness of the Company's administration. The auditor reports to the Board of Directors at least once a year.

According to the Articles of Association, Munksjö shall have one auditor, which shall be an audit firm authorised by the Central Chamber of Commerce.

The Audit Committee prepares a proposal on the appointment of Munksjö's auditors, which is then presented to the AGM for its decision. The compensation paid to the auditors is decided by the AGM and assessed annually by the Audit Committee.

PricewaterhouseCoopers Oy (PwC) was appointed the auditors of the company on 13 May 2013. PwC has designated Merja Lindh, APA, as the responsible auditor. The Company's subsidiaries are subject to local auditing under local regulations which are to the extent the acquired Label and Processing Business Area of Ahlstrom Corporation is concerned conducted by representatives of PwC's network in each country while the old Munksjö part of the Group companies are audited by the Ernst & Young network of auditors.

The fees of the statutory audit in 2013 were EUR 1.1 million in total in the Group. Other fees charged amounted to EUR 1.9 million. The other fees were primarily related to tax advice and various specialist services rendered in relation to the transaction with Ahlstrom Corporation.

Risk management

Munksjö Group has a Risk Management Policy, which is approved annually by the Board of Directors. The policy sets out the principles for the risk management process as well as the division of the responsibilities and reporting within the Group.

The Board of Directors is responsible for the risk oversight within the Group and CEO is responsible for assessing and reporting the Group's consolidated risk exposure to the Board of Directors.

Munksjö's risk management process consists of risk identification, risk assessment, risk response and risk control. The risks are primarily identified by the different units in accordance with the Group Risk Management Principles and Guidelines. The different units are required to update their risk evaluation at least once a year, in connection with the annual budgeting process.

The risk management process is also embedded in the internal controls framework and Munksjö's process level control structure has been created by using a risk-based approach to define the individual control points.

Internal control and risk management systems in relation to financial reporting

The Board of Directors has the overall responsibility for the internal controls. The CEO is responsible for ensuring that processes and procedures are available to safeguard the internal controls and quality in financial reporting. The structure and steering documents in the form of policies, guidelines and instructions provide the basis for ensuring the maintenance of quality in the internal controls and financial reporting. The business segments/areas and group functions are responsible for applying these policies and guidelines to achieve efficient and appropriate controls on the basis of their individual circumstances and operational contexts.

The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to assure compliance with applicable laws and regulations.

The internal control framework has been created using a risk based approach and it includes elements from the framework introduced by the Committee of Sponsoring Organizations (COSO). There are five principle components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. As most of the financial procedures are carried out at the unit level, also a large part of the controls is carried out at the unit level.

Detailed financial reports are produced each month, on both a business area and Group level. The Company's primary reporting segments are based on the Company's business areas: Decor, Release Liners, Industrial Applications, Graphical & Packaging and Other (HQ and group eliminations/ adjustments). An important part of the Group's internal control process are the meetings, which are held within each business area, where the CEO, CFO, functional management and the group controller, together with the operational management of the business area, review the month's outcome in comparison with projections, etc. At these meetings, reviews and analysis are carried out on, among other things, the market situation, order bookings, earnings trend, cash flow and tied-up capital. In addition, improvement measures are initiated, if any.

Financial reporting is carried out in a harmonized manner in all Group companies. Munksjö's accounting principles are based on the International Financial Reporting Standards (IFRS). In addition to IFRS, more specific group policies and guidance are provided in Munksjö accounting manual (Corporate Manual). Munksjö's Finance function is responsible for maintaining the company's accounting policies and reporting systems, and also performs monitoring to ensure that these reporting policies are followed. The Group's business segments are consolidated at the Group Finance function.

The performance of Munksjö is reviewed regularly at different organizational levels. The Group Internal Control function adheres to the Internal Control Charter, approved by the CEO and reviewed by the Audit Committee, which stipulates the mission and scope of work for this function. The Group Internal Control function visits the Company's businesses to perform operational reviews and to monitor compliance with internal control procedures, policies and guidelines according to an agreed plan.

During 2012 and in the beginning of 2013, the Group has updated the documentation of its key controls related to financial reporting in the unit Munksjö AB. The project will continue in the units acquired from Ahlstrom Corporation.This documentation of key controls related to financial reporting will be reviewed annually.

As Munksjö is a newly formed group, it is in a phase of harmonizing its accounting and reporting structures. A new Group reporting system (HFM) has been developed and taken into use as a part of the harmonization and improvement of the control environment.

During a transition period the service relating to accounting for the entities acquired from Ahlstrom Corporation will be provided by Ahlstrom Corporation.

Internal Audit
Munksjö does not have a separate internal audit function. The Audit Committee and Munksjö Finance function define one or more audit themes over and above the statutory auditing requirements. Such themes are agreed for each year and the findings are reported to the Audit Committee and Munksjö management.

Compliance
It is the policy of Munksjö to comply throughout the organization with all applicable laws and regulations and to maintain an ethical workplace for its officers and employees as well as an ethical relationship with its customers, suppliers and other business partners.

In its insider administration Munksjö follows the Guidelines for Insiders issued by NASDAQ OMX Helsinki Ltd complemented by the Company's own Insider Rules approved by the Board. The Company maintains its public and company-specific insider registers in the SIRE system of Euroclear Finland Ltd.

In accordance with the law, Munksjö's public insiders include the members of the Board (and their deputies, if any), the CEO and his deputies (if any), the auditor responsible for the audit of the Company. In addition, based on a decision made by Munksjö's Board of Directors, the Management Team is also included in the public register. Munksjö's register of company-specific permanent insiders includes individuals who are defined by the Company and who have regular access to inside information due to their position in the Company.

According to Munksjö's Insider Rules, persons listed as permanent insiders shall always obtain a prior approval for trading in the Company's securities from the Company's Insider Officer. Said permanent insiders may not in any event trade in the Company's securities after the end of each calendar quarter until the day after the publication of the (quarterly) interim report or annual result (Closed Window). The Closed Window shall, however, always include at least the three weeks immediately preceding the publication of the (quarterly) interim report or annual result and the date of publication of such report.

A project-specific insider register is also maintained when required by law or regulations. Project specific insiders are prohibited from trading in the Company's securities until the termination of the project.

BOARD OF DIRECTORS' SHAREHOLDING

Name	Title	Shareholding (MUNK1) 31 december 2013
Peter Seligson	Chairman of the Board	285,822
Fredrik Cappelen	Deputy Chairman of the Board	7,138
Elisabet Björklund Salander	Board member	2,200
Sebastian Bondestam	Board member	1,482
Hannele Jakosuo-Jansson	Board member	–
Jarkko Murtoaro	Board member	–

MANAGEMENT TEAM'S SHAREHOLDING

Name	Title	Shareholding (MUNK1) 31 december 2013
Jan Åström	CEO and President	6,733
Kim Henriksson	Executive Vice President and CFO	7,177
Åsa Fredriksson	Senior Vice President HR & Communications	3,849
Anna Bergquist	Senior Vice President Strategic Development	5,381
Gustav Adlercreutz	Senior Vice President and General Counsel	4,283
Daniele Borlatto	Executive Vice President and President Release Liners	2,083
Christian Mandl	Business Area Manager Manufacturing, Decor	588
Norbert Mix	Business Area Manager Sales and Marketing Decor	888
Dan Adrianzon	President Industrial Applications	883
Roland LeCardiec	President Graphics and Packaging	–

BOARD OF DIRECTORS

Peter Seligson
Chairman of the Board

Born: 1964
Citizenship: Finnish
Member of the Board since: 2012
Current position: Partner, Seligson & Co Oyj
Chairman of the Board: Aurajoki Oy. Broadius Partners AB. Herculia AB.
Board memberships: Ahlstrom Oyj
Other positions of trust: Chairman of Skatte- och Företagsekonomiska Stiftelsen. Member, Folkhälsan.
Previous positions: Managing Director, Alfred Berg Finland 1991-1997. Head of Sales and trading, Arctos Securities 1987-1991.
Education: Lic. oec. (HSG)

Fredrik Cappelen
Deputy Chairman of the Board

Born: 1957
Citizenship: Swedish
Member of the Board since: 2013
Current position: Partner, Cappelen Invest AB
Chairman of the Board: Byggmax Group AB. Granngården AB. Dustin AB. ICC Sweden. Sanitec Oy.
Board memberships: Securitas AB
Previous positions: Chairman/Board member, Munksjö AB 2005-2013. President and CEO, Nobia AB 1994-2008. Board member, Cramo Oy 2008-2011. Board member, Carnegie Investment Bank AB 2009–2012.
Education: M. Sc. in Business Administration

Sebastian Bondestam
Board member

Born: 1962
Citizenship: Finnish
Member of the Board since: 2013
Current position: President, Uponor Infra
Board memberships: –
Previous positions: Board member, Ahlstrom Oyj 2001–2013. Tetra Pak 1991–2006 (various executive positions).
Education: M. Sc. in Engineering

Elisabet Salander Björklund
Board member

Born: 1958
Citizenship: Swedish
Member of the Board since: 2013
Current position: CEO Bergvik Skog AB
Board memberships: Mistra. SweTree Technologies AB. Firefly AB. Marcus Wallenberg Prize Foundation.
Previous positions: EVP, Stora Enso and member of Stora Enso's Group Executive team 2005–2010. Board member, Claes Ohlson AB 2000–2010.
Education: M. Sc. in Forestry

Hannele Jakosuo-Jansson
Board member

Born: 1966
Citizenship: Finnish
Member of the Board since: 2013
Current position: SVP, Human Resources Neste Oil Oyj
Board memberships: Tekes, the Finnish Funding Agency for Technology and Innovation.
Previous positions: Laboratory and Research Manager at the Technology Center, Neste Oil Oyj 1998-2004. Vice President, Human Resources at Oil Refining, Neste Oil Oyj 2004–2005.
Education: M. Sc. in Engineering

Jarkko Murtoaro
Board member

Born: 1979
Citizenship: Finnish
Member of the Board since: 2012
Current position: Director, EQT
Board memberships: Observer board member of Sanitec Oyj.
Previous positions: Citigroup's investment banking division in London.
Education: M.Sc. in Engineering and M. Sc. in Economics

MANAGEMENT

Jan Åström
President and CEO

Born: 1956
Citizenship: Swedish
Previous positions: President and CEO, Munksjö AB 2008–2013. President and CEO, SCA AB 2002–2007. Deputy CEO, SCA AB 2000–2002. CEO Modo Paper AB 1999–2000.
Board memberships: Board member of SEKAB AB. Board member of Sydved AB. Board member of ECO Development.
Education: M. Sc. in Chemical Engineering

Kim Henriksson
Executive Vice President and CFO

Born: 1968
Citizenship: Finnish
Previous positions: Senior Vice President and CFO, Munksjö AB 2010-2013. Morgan Stanley in London and Stockholm 1994-2008, most recently as Managing Director within M&A. Merita Corporate Finance, Helsinki.
Board memberships: –
Education: M. Sc. in Economics

Åsa Fredriksson
Senior Vice President HR and Communications

Born: 1972
Citizenship: Swedish
Previous positions: Senior Vice President HR and Communications, Munksjö AB 2007-2013. Group Controller, Munksjö Sweden AB. Controller, Munksjö Paper AB. Controller, Swedish Match Industries AB. Employed at Munksjö since 1999.
Board memberships: –
Education: Bachelor in Economics

Anna Bergquist
Senior Vice President Strategic Development

Born: 1980
Citizenship: Swedish
Previous positions: Senior Vice President Strategic Development, Munksjö AB 2010–2013. Engagement manager at McKinsey.
Board memberships: –
Education: M. Sc. in Industrial Economy

Gustav Adlercreutz
Senior Vice President and General Counsel

Born: 1957
Citizenship: Finnish
Previous positions: Vice President, General Counsel, Ahlstrom Oyj 2001–2013. Various positions within Ahlstrom since 1984.
Board memberships: Chairman of the Board of Soldino Oy. Vice Chairman of Oy The English Tearoom Ab. Chairman of the House of Nobility. Board member of Mannerheim Foundation.
Education: LLM

Daniele Borlatto
Executive Vice President and President Release Liners

Born: 1969
Citizenship: Italian
Previous positions: Executive Vice President at Label and Processing business area for Ahlstrom 2011–2013. Senior Vice President at Release & Label Papers. Member of Corporate Executive Team in 2007–2010. Employed at Ahlstrom 1990–2013.
Board memberships: –
Education: Studies in Business and Administration

Christian Mandl
Business Area Manager Manufacturing Decor

Born: 1949
Citizenship: German
Previous positions: Business Area Manager Manufacturing Decor, Munksjö AB 2011–2013. Director Corporate Manufacturing 2006-2011. Mill Manager Unterkochen and Technical Director at PWA Dekor. Head of Technical Department Unterkochen 1983–1989. Project Engineer 1974–1983.
Board memberships: –
Education: M. Sc. in Mechanics

Norbert Mix
Business Area Manager Sales and Marketing Decor

Born: 1957
Citizenship: German
Previous positions: Business Area Manager Sales and Marketing Decor, Munksjö AB 2011–2013. President and CEO of Munksjö Inc, USA. Sales and Technical Director Technocell Decor Canada and USA. Technical Director Munksjö Decor Inc, USA. Head of Technical Customer Support PWA Dekor, Germany.
Board memberships: –
Education: M. Sc. in Finance and Forestry Economics

Dan Adrianzon
President Industrial Applications

Born: 1960
Citizenship: Swedish
Previous positions: Group Chief Controller, Munksjö AB. Interim CEO and CFO at Munksjö Aspabruk AB (business area Specialty Pulp). Interim CFO, Munksjö Arches in France. Employed at Munksjö since 1998.
Board memberships: –
Education: Bachelor in Business Administration and Economics. Mechanical Engineer from Technical High School.

Roland Le Cardiec
President Graphics and Packaging

Born: 1957
Citizenship: French
Previous positions: Vice President Thin Print paper, Fine Art paper and E2P 2011–2013. Business Unit Manager, EMEA Project Responsible and General Manager for business in China. Sales and Marketing Manager and Head of Production, Arjo-Wiggins 1988–2011. Head of Production Le Nickel-SLN (Eramet) 1981–1988.
Board memberships: –
Education: Ingenieur Civil des Mines (M. Sc. in Engineering)

Risk and risk management

Munksjö is exposed to a number of risks, which may significantly affect the group. In this section, the most important factors that may affect Munksö's capabilities to reach the goals set for the group, and the means of dealing with them, are briefly described. Munksjö is actively trying to reduce the effects of these risk factors through preventive measures. When preventive measures are not viable, the risk can be hedged or insured.

Many of the risk/factors mentioned below can have both positive and negative effects on Munksjö. The processes of dealing with risks are overseen by the Board of Directors and the Audit Committee, and managed on the operational level by the CEO, Senior executives, and other employees. A further description of the risk management can be found on page 37 in the section Corporate Governance.

OPERATIONAL RISKS

DESCRIPTION OF RISK	RISK MANAGEMENT/COMMENTS 2013
Risk of variations in market prices and volumes for Munksjö's products	
Munksjö's products are generally dependent on the economic cycle in terms of both price and volume growth. The global economic development (GDP) in the world affects Munksjö's business.	Changes in population and urbanisation affect all business areas, while the economic situation in different industries affects the Group's business areas differently. Among other things, Decor is affected by construction activity, Release Liners by the transportation and distribution industries, Industrial Applications by the automotive and steel industries as well as infrastructure investments. Graphics and Packaging is affected by, for example, the food industry. Interchangeable materials and products that can replace Munksjö's products, as well as new producers who establish themselves within Munksjö's product areas, can also impact both price and volume. Competition from existing suppliers may also affect Munksjö. Weaker margins may entail review of reported goodwill and asset values. Munksjö works continuously and in an integrated manner with its customers to provide flexible and customised product solutions. In addition, the Group is working on the development of production and process efficiency in order to align the cost structure to offset the negative impact that lower market prices have on operating result.
Risk of damages at the facilities	
Munksjö has 15 production facilities, which carry out continuous production, located in several different countries in Europe, China as well as in Brazil. Production takes place in a chain of processes where possible disruptions or interruptions at any stage can cause production loss, which can result in delivery problems.	Ongoing maintenance and investment in replacements are an essential part of ensuring the operation of the facilities. Munksjö prevents disruptions and interruptions by having well-developed controls and procedures, maintenance plans, and personnel training. In addition, there is a long history of systematic ongoing work to improve safety in the production facilities, see page 29 in the section Corporate responsibility. The facilities are insured by leading insurance companies, which conduct annual inspections and provide suggested improvement measures. The insurance policies also cover any possible reduction in coverage contributions.
Risk of failure of the integration processes	
Munksjö's strategy to partially grow through acquisition means that acquisition integration occurs from time to time. It is essential that the company can realise the synergies that are expected to arise as a result of such acquisitions.	As a consequence of the merger of Munksjö and Ahlstrom's Label and Processing business, there is substantial ongoing integration work being carried out in order to realise the expected synergies. The work is carefully followed with detailed plans and activities and the outcome is reported, quarterly in Munksjö's Interim Reports and Financial Statement Bulletin.

OPERATIONAL RISKS, CONT'D.

DESCRIPTION OF RISK	RISK MANAGEMENT/COMMENTS 2013

Risk of customer dependence and customer credit

Munksjö has approximately 2,000 customers throughout the world with the ten largest customers accounting for approximately 25-30 per cent of the Group's net sales. Within certain business areas the concentration is higher. If Munksjö cannot meet the demands of its largest customers, and if the customers do not fulfil their payment obligations, this can affect the Group negatively.

CUSTOMER STRUCTURE AND CUSTOMER CREDIT

MEUR	2013	2012	2011
Accounts receivable not due	116.5	73.2	75.9
Receivables overdue			
< 30 days	10.5	5.8	5.8
30–90 days	0.3	0.9	0.9
> 90 days	1.4	0.7	1.1
Receivables overdue	12.2	7.4	7.8
Total accounts receivable	**128.7**	**80.6**	**83.7**

Customers are mainly processors of speciality papers such as printers, impregnation companies, label manufacturers, special steel manufacturers, abrasive paper manufacturers and manufacturers of packaging. For all these customer categories, it is important to have long-term relationships in terms of service, quality and development. In order to reduce dependence on a limited number of customers, efforts are being made to expand the customer base.

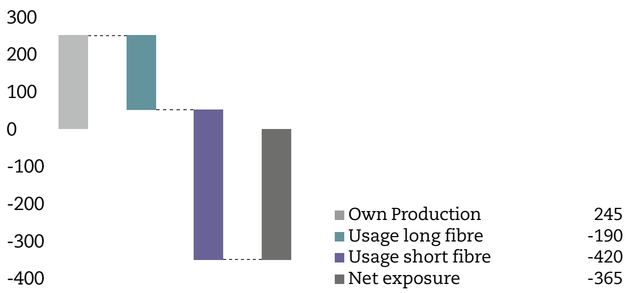
Customer credit varies depending on market and product. The Group has well-developed principles for customer credit management with weekly follow-up by the Treasury Department at the head office.

At the end of 2013, accounts receivable totalled MEUR 128.7. The average credit period was 50 days. A portion of the sales have been credit insured and sold to financiers so that earlier payment can be received. The Group's total credit losses in 2013 totalled MEUR 1,5 and according to pro forma II MEUR 2,3.

Risk of variation in pulp price

Wood pulp accounts for a significant portion of the cost of manufacturing of speciality papers, and therefore, price changes in this affects the Group's result.

PRODUCTIONS AND CONSUMPTION OF PULP



The bulk of the used wood pulp in Munksjö's manufacturing is short fibre pulp, which is mainly purchased from South America. In 2013, a total of 420,000 tonnes of short-fibre pulp and 190,000 tonnes of long-fibre pulp were consumed. Exposure is reduced by 245,000 tonnes of the company's own production of long-fibre pulp. The used wood pulp corresponds with pulp prices at the end of the year with a value of more than MEUR 450. Munksjö hedges a portion of purchases of short-fibre pulp. At year-end, there were hedging contracts for 45,000 tonnes. For more information about hedges see Note 25.

Risk of availability of wood and wood price risk

Supplies of fresh wood fibre is essential to the Group's production of wood pulp. The market price of wood may vary over time and affect the Group's result from pulp manufacturing.

Munksjö buys the bulk of the wood and wood chips from Sydved, a joint venture wood procurement company with Stora Enso as well as a smaller part directly from local forest owners. Prices are affected by the demand for paper and the cardboard industry because these are consumers of pulp and the price of wood is affected by the price of pulp and other paper products. The use of sawn timber and wood used for burning, for electricity and heat production, may indirectly affect pulpwood prices. The price of raw wood material during the year was stable and slightly decreasing. In 2013, 1,140,000 m^3 (1,180,000) was purchased.

OPERATIONAL RISKS, CONT'D.

DESCRIPTION OF RISK	RISK MANAGEMENT/COMMENTS 2013
Risk of variation in the price of raw materials and services	
Other raw materials and services other than wood and energy used in the manufacture of Munksjö's products. The market price of wood may vary over time and affect the Group's result.	An important raw material for Munksjö is titanium dioxide, which previously demonstrated major price fluctuations, but in recent years has been stable after a strengthened supply situation. Other raw materials include latex and various chemicals, and in addition, machine cloth, packaging material and transport services are purchased whose price movements are also relevant. During the year, prices remained relatively stable. For purchases, there is a structure d method to ensure that the procurement process is complete and systematically designed. Munksjö's procurement organisation, which is coordinated centrally, includes nine different categories in which employees from each business area contributes with expertise to achieve the best result. Read more on page 26 in section Innovation and purchasing power.
Risk of variation in energy prices	
Energy costs represent a significant portion of the production costs. Munksjö mainly consumes electricity, oil and gas. Higher energy prices could result in an increase in the Group's operating costs and impact operating result negatively.	In recent years, Munksjö has made a number of capital expenditures regarding its own production of energy in order to reduce dependence on external deliveries. The Group produced approximately half of its energy needs in 2013. Munksjö also hedges about 50 per cent of the electricity consumption for the Swedish units.
Key employees	
In certain cases, Munksjö is dependent on individual key employees. If the company is unable to recruit and retain key employees, this could have a considerable adverse effect on the company.	In addition, the company operates in a high-tech industry where qualified and experienced employees within production operations are an important competitive advantage. Munksjö's ability to retain and recruit employees who have relevant qualifications is important for the company's future development. Personnel costs represent a significant cost item. Costs are primarily regulated in collective agreements and salary-related fees and taxes. In recent years, labour costs have increased by about 3 per cent annually.

PRICE RISK

MEUR	Actual	Pro forma II
Pulp +5%	–5	–10
Energy +5%	–4	–6
Titanium dioxide +5%	–5	–5

OPERATIONAL RISKS, CONT'D.

DESCRIPTION OF RISK	RISK MANAGEMENT/COMMENTS 2013
Environmental risk, and the renewal of the production and emission permits	
Munksjö's production results in emissions to air and water as well as waste to landfill, and also generates noise.	The group's activities require permits and are also regulated by environmental legislation. The trend is moving toward more stringent and less flexible environmental regulations. For example, the Industrial Emissions Directive within the EU common sectoral emission limits where the limits are set based on what is considered possible to achieve using the best available technology and not taking into account local conditions. This may result in new investments or other actions to meet future requirements. Environmental legislation also requires that the operator who caused the environmental damage has a strict and loyal responsibility to rectify and compensate for the damages and losses suffered. This also applies to properties that the company no longer owns or carries out operations in. All production facilities have certified management systems for the environment, quality and energy. There are environmental functions within the facilities that monitor and develop the local environmental efforts. In addition, they manage contacts with certifiers and supervisory authorities. Cooperation also takes place between the production facilities in order to use the best knowledge regarding environmental issues. For more information on the topic of Corporate responsibility within Munksjö, look further in this Annual Report on page 27.
Legal risks	
Munksjö has operations in many countries, and sometimes disputes can not be avoided in the daily operations.	Munksjö is involved in several legal actions, disputes, claims for damages and other procedures. The result of these cannot be predicted, but with respect to all the information that was available at the end of 2013, the results are not expect to affect the company's financial position to any significant extent.

FINANCIAL RISKS

Munksjö is exposed to a number of financial risks, including currency risks, financial risks, liquidity risks, interest-rate risks and counterparty credit risks in financial transactions. The Group's financial risks and financial risk management is described in note 25.

Pro forma information

On 28 August 2012 a business combination agreement for the purpose of combining Munksjö AB and Ahlstrom Corporation's Label and Processing business in Europe and in Brazil into Munksjö Oyj was signed. The following table presents pro forma financial information to illustrate the financial impact of the combination. This information is presented for illustrative purposes only. The pro forma statement of the comprehensive income for the year 2012 and 2013 has been compiled assuming that the combination had been completed on 1 January 2012. Information on how the pro forma information is compiled is described in the Financial Statements Bulletin 2013, published on 13 February 2014.

PRO FORMA II SEGMENT INFORMATION

MEUR	Full year 2013	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Full year 2012	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012	Jan-Mar 2012
Pro forma Net sales										
Decor	368.2	89.9	86.8	95.5	96.0	368.4	99.6	90.2	91.3	87.3
Release Liners	432.8	96.8	105.3	118.6	112.1	467.2	110.4	115.3	123.1	118.4
Industrial Applications	158.0	42.3	35.6	42.1	38.0	148.2	37.0	33.5	40.6	37.1
Graphics and Packaging	175.9	40.4	41.2	47.0	47.3	178.4	43.4	43.1	45.8	46.1
Eliminations and other	–14.6	–4.2	–3.8	–3.6	–3.0	–7.6	–1.9	–1.1	–2.7	–1.9
Group	**1 120.3**	**265.2**	**265.1**	**299,6**	**290.4**	**1 154.6**	**288.5**	**281.0**	**298.1**	**287.0**
Pro forma EBITDA										
Decor	26.3	2.1	5.5	9.4	9.3	29.8	8.3	7.0	6.1	8.4
Release Liners	21.2	4.8	6.5	4.5	5.4	34.2	11.0	5.8	10.2	7.2
Industrial Applications	14.7	4.9	1.7	4.5	3.6	11.7	1.3	1.2	4.9	4.3
Graphics and Packaging	–7.0	–6.0	–2.2	–0.6	1.8	2.6	2.2	–0.6	0.3	0.7
Eliminations and other	–12.9	–4.8	–1.7	–4.5	–1.9	–39.5	–1.7	–4.8	–5.2	–27.8
Group	**42.3**	**1.0**	**9.8**	**13.3**	**18.2**	**39.8**	**21.1**	**8.6**	**16.3**	**–6.2**
Non-recurring items by segment										
Decor	7.4	6.6	0.5	–	0.3	0.5	0.3	–	0.2	–
Release Liners	2.7	1.9	0.6	0.2	–	1.5	–	–	–	1.5
Industrial Applications	1.3	0.8	0.0	0.5	–	0.4	0.2	0.2	–	–
Graphics and Packaging	6.4	5.5	0.9	–	–	1.1	–	–	–	1.1
Eliminations and other	4.0	1.0	0.3	2.3	0.4	34.3	1.7	4.4	1.9	26.3
Group	**21.8**	**15.8**	**2.3**	**3.0**	**0.7**	**36.8**	**2.2**	**4.6**	**2.1**	**27.9**
Pro forma EBITDA excluding non-recurring items										
Decor	33.7	8.7	6.0	9.4	9.6	30.3	8.6	7.0	6.3	8.4
Release Liners	23.9	6.7	7.1	4.7	5.4	35.7	11.0	5.8	10.2	8.7
Industrial Applications	16.0	5.7	1.7	5.0	3.6	12.1	1.5	1.4	4.9	4.3
Graphics and Packaging	–0.6	–0.5	–1.3	–0.6	1.8	3.7	2.2	–0.6	0.3	1.8
Eliminations and other	–8.9	–3.8	–1.4	–2.2	–1.5	–5.2	0.0	–0.4	–3.3	–1.5
Group	**64.1**	**16.8**	**12.1**	**16.3**	**18.9**	**76.6**	**23.3**	**13.2**	**18.4**	**21.7**
Delivered volume, metric tonnes										
Decor	174,800	42,800	41,500	45,900	44,600	166,500	45,500	41,200	40,900	38,900
Release Liners	497,530	116,575	127,692	126,600	126,663	520,882	126,243	128,293	133,223	133,123
Industrial Applications	81,500	20,900	18,500	21,800	20,300	76,100	18,500	17,700	20,500	19,400
Graphics and Packaging	145,602	32,700	33,600	40,700	38,602	142,289	34,196	33,894	37,457	36,742
Eliminations and other	–14,100	–4,100	–3,000	–3,900	–3,100	–8,400	–2,000	–2,000	–2,500	–1,900
Group	**885,332**	**208,875**	**218,292**	**231,100**	**227,065**	**897,371**	**222,439**	**219,087**	**229,580**	**226,265**

Board of Directors' Report 2013

Forming a global leader in specialty paper – combining Munksjö AB with Ahlstrom's Label and Processing business area.

On 28 August 2012, Munksjö Oyj, Munksjö AB, EQT and Ahlstrom Corporation agreed to form a global leader in specialty papers by combining Munksjö AB with Ahlstrom's Label and Processing business area in Europe (LP Europe) and Brazil (Coated Specialties). In 2013, the new company had in aggregate pro forma net sales of EUR 1.1 billion, approximately 3,000 employees, 15 production sites in Europe, Brazil and China, and a worldwide sales organisation. The operations are divided into four business areas: Decor, Release Liners, Industrial Applications, and Graphics and Packaging.

The business combination is a natural step in Munksjö's strategy to focus on growth within specialty papers. Munksjö Oyj is the world's largest specialty paper company with a strong position in selected market segments. The acquisition will boost competitiveness and efficiency while offering further potential for organic and strategic growth.

The combination of the operations was completed in two phases during 2013. The first phase, the combination of Munksjö AB with LP Europe, was completed on 27 May following regulatory approvals from the European Commission's Competition Authority and the Brazilian Competition Authority (CADE). The second phase of the combination was completed on 2 December, when the Coated Specialites operation's in Jacarei, Brazil were combined with Munksjö Oyj in a partial demerger. Coated Specialties is as of 2 December part of the business area Release Liners.

The approval by the European Commission's Competition Authority for the combination was conditional on the divestment of Ahlstrom's production lines for abrasive paper backings and pre-impregnated decor papers in Osnabrück, Germany, to a third party. On 31 December 2013, Ahlstrom issued a stock exchange release announcing that the company had finished the divestment process.

LP Europe was combined with Munksjö AB as follows: first, a demerger of Ahlstrom was carried out, followed by the acquisition of Munksjö AB in exchange for new shares in Munksjö Oyj, and finally by a directed share issue by Munksjö Oyj to Ahlstrom, EQT, Munksjö AB and certain institutional investors.

The conditions for the execution of the Coated Specialties demerger were not fulfilled prior to the expiration of the demerger decision made by Ahlstrom's Extraordinary General Meeting on 27 November 2012, and therefore Ahlstrom convened an new Extraordinary General Meeting to resolve on a new partial demerger of Coated Specialties. Ahlstrom's Extraordinary General Meeting approved on 4 July 2013 the demerger of the Coated Specialties in accordance with the demerger plan. Munksjö Oyj's and Ahlstrom's respective boards signed on 13 May 2013 a new demerger plan and cancelled the previous plan because not all approvals by the authorities were obtained before the previous resolution expired.

Coated Specialties was combined with Munksjö Oyj according to the following: According to the demerger plan, all assets and liabilities belonging to Coated Specialties was transferred to Munksjö Oyj through a partial demerger. According to the demerger plan Munksjö's shareholders resolved, on 17 May 2013, that on the completion day of the demerger, new shares would be issued as a demerger consideration.

Upon execution of the two phases of the combination, the shareholders in Ahlstrom received, as demerger consideration, new shares in Munksjö Oyj. Trading of Munksjö Oyj's shares commenced on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Oy) on 7 June 2013. Further details on share trading and the demerger consideration can be found under the heading 'Shares and shareholders'. Further details on the business combination and on how the pro forma figures were derived is provided in the notes to the Financial Statements Bulletin published on 13 February 2014.

Synergies and integration

Annual synergy benefits rising from the business combination are related to procurement, production efficiency, economies of scale and improved organisational performance and efficiency, and are expected to be between EUR 20-25 million.

Integration efforts were launched in May when the first phase of the business combination was completed and are proceeding according to plan. At year end, the annual synergy benefits run-rate was EUR 11 million. The synergies were achieved within procurement and improved efficiency within the organisation. It is within these areas, including the improvement programme in the business area Graphics and Packaging, that synergies are expected to be further developed during 2014.

EUR 5 million in synergy savings were realised and recorded in the 2013 financial results.

An annual synergy savings level within the communicated range is expected to be reached already during 2014. The previously communicated 60 per cent after the first 12 months is expected to be surpassed.

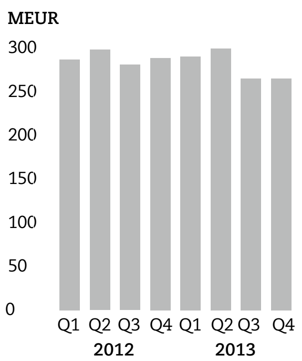
Non-recurring items to achieve synergies are estimated to EUR 10-15 million and the

THE GROUP

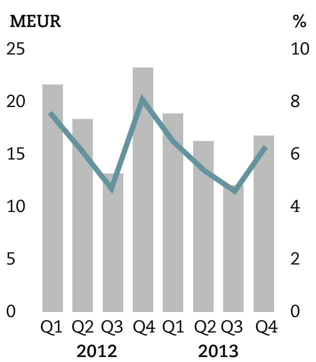
NET SALES
PRO FORMA II[2)]
2013

- Decor 32%
- Release Liners 38%
- Industrial Applications 14%
- Graphics and Packaging 16%

NET SALES
PRO FORMA II[2)]



EBITDA & MARGIN (ADJ.*)
PRO FORMA II[2)]



* Adjusted for non-recurring items.
2) Includes LP Europe and Coated Specialities from January 2012.

majority; approximately EUR 11 million was recorded in the financial result for 2013. Of these costs EUR 4 million impacted the cash flow in 2013, while the rest of the costs are expected to affect the cash flow during 2014.

Annual cost savings as a result of the separation of the specialty paper operations from Ahlstrom's other business operations (stand-alone cost savings), will amount to EUR 11 million annually and are hence within the previously communicated range of EUR 10-15 million.

Munksjö Group

Reported

Net sales increased to EUR 863.3 (607.1) million, primarily as a result of the combination. The acquired business contributed an additional EUR 257.0 million to net sales.

EBITDA adjusted for non-recurring items increased to EUR 55.0 (42.3) million while the adjusted EBITDA margin was 6.4% (7.0%). Operating result adjusted for non-recurring items was EUR 15.7 (16.9) million and the adjusted operating margin 1.8% (2.8%). Most of the non-recurring items totalling EUR -49.1 (-9.5) million relates to the business combination. For non-recurring items in January-December 2013, see the table below.

MEUR	
Transaction costs	–13.4
Commitment in relation to Osnabrück	–13.5
Inventory valuations	–2.4
Cost for achieving the foreseen synergy benefits	–11.0
Environmental provisions	–6.3
Other costs	–2.5
Total	–49.1

The transaction costs are primarily costs for financial and legal advice as well as market studies and similar activities for the assessment of the transaction.

Munksjö made a commitment to pay certain costs arising from the divestments of some businesses in Osnabrück, Germany, required by the European Commission as a condition for regulatory approval. This commitment is included in the non-recurring items in the amount of EUR 13.5 million. This cost was booked in the second quarter of 2013. The equivalent impact on cash flow during 2013 was EUR 2.5 million. Inventory valuation refers to the non-cash revaluation of inventories at the time of acquisition.

The costs for achieving the synergy and integration benefit levels are costs for achieving the communicated synergies including the improvement programme for Graphics and Packaging. The environmental provisions in respect of the closed production facilities in Italy and the USA have increased. Other non-recurring items include, among other things, minor restructuring costs deemed to be unrelated to the synergy benefits programme.

The operating loss was EUR -33.4 (7.4) million with a net loss of EUR -57.4 (-10.5) million.

Pro forma II

Pro forma II net sales decreased to EUR 1,120.3 (1,154.6) million. Net sales for the business area Industrial Applications increased but remained at the same level as in the previous year for business area Decor. Net sales for Release Liners decreased short of the 2012 level. Compared to 2012 the Brazilian real weakened significantly against the euro, which affects the euro-translated sales and profit of the Brazilian operations. Net sales by Graphics and Packaging decreased short of the 2012 level.

The business areas Decor and Industrial Applications showed higher adjusted EBITDA margins than in 2012 whereas the equivalent margins for the business areas Release Liners and Graphics and Packaging were weaker. Somewhat lower raw material prices in 2013 had a positive impact on profitability but a less favourable product mix diluted this effect. The holiday shutdown in the third quarter went according to plan in terms of scope, but its negative impact on financial result was slightly greater than in 2012.

Adjusted pro forma II EBITDA decreased to EUR 64.1 (76.6) million and the adjusted pro forma II EBITDA margin to 5.7% (6.6%). The fourth quarter 2012, includes a positive impact on the result of approximately EUR 8 million, the release of certain accruals related to personnel liabilities and production costs. The result for the first quarter 2013 includes a positive impact on the result of approximately EUR 3 million as a result of the release of certain accruals related to personnel liabilities.

The market conditions and financial results for 2013 as a whole for the respective business areas are discussed on the following pages..

Decor business area

Reported

Volumes developed favourably during the year growing by 5%. The growth in volumes characterising the first half of 2013 levelled off slightly during the second half following the traditionally weaker summer season. Above all, the increase in volume was due to greater demand for pre-impregnated decor paper used primarily within the furniture industry. The patented proprietary pre-impregnated decor paper technology has been developed in-house with great success over the past ten years.

Net sales remained at the same level as in 2012 reaching EUR 368.2 (368.4) million. The positive trend in volumes did not have an equivalent impact on net sales, and the average price was lower than in 2012, which was mainly due to the less favourable geographic and product mix and partly due to the selective price adjustments made. No overall price reductions were made by the business area.

The financial result was affected by the yearly holiday shutdown which was slightly longer than in 2012 as well as by increased personnel and sales-related costs. The lower raw material costs driven by lower prices on titaniumdioxide and pulp had a positive effect on the result. EBITDA adjusted for non-recurring items increased to EUR 33.7 (30.3) million and the adjusted EBITDA margin to 9.2% (8.2%). Operating result adjusted for non-recurring items was EUR 21.9 (19.6) million with an adjusted operating margin of 5.9% (5.3%).

Operating result was EUR 14.5 (19.1) million with an operating margin of 3.9% (5.2%).

Release Liners business area

Reported

In 2012, the business area consisted of Munksjö's pulp production facility in Aspa. The part of LP Europe that primarily manufactures release papers for e.g. labels, special tapes, office labels, self-adhesive stickers and a range of industrial and graphics applications, was included into the business area as of 27 May 2013. The production facility in Jacarei (Coated Specialties), Brazil, was included in the business area as of 2 December 2013. The Jacarei production facility delivers coated and uncoated specialty paper grades to the South-American market, primarily Brazil.

Net sales increased to EUR 249.1 (98.2) million as a result of the business combination. The acquired business contributed an additional EUR 154.6 million to net sales.

EBITDA adjusted for non-recurring items increased to EUR 15.7 (4.8) million and the adjusted EBITDA margin to 6.3% (4.9%). Operating result adjusted for non-recurring items was EUR 0.4 (-1.8) million with an adjusted operating margin of 0.2% (-1.9%).

Operating result was EUR -2.5 (-1.8) million with an operating margin of -1.0% (-1.9%).

Pro forma II

The delivery volumes by the business area decreased due to the reduced pulp deliveries and lower deliveries within the paper business. Pro forma II net sales decreased to EUR 432.8 (467.2) million. Pro forma II net sales by the Brazilian operations was EUR 81.8 million.

The average price in the paper business decreased because of price adjustments whereas the average price in the pulp business increased as a result of the higher market price of pulp. The average price in the Brazilian operations denominated in local currency increased mainly due to price increases. Compared to 2012, the Brazilian Real has weakened significantly against the Euro, which affected the euro-translated sales of the Brazilian operations.

Financial result in the pulp business developed favourably mainly as a result of the higher market price and lower cost of wood. The price increases introduced by the Brazilian operations did not fully compensate for the increased cost of raw materials. As the Brazilian Real has weakened against the Euro, depreciation of the Brazilian real against the euro also affected the euro-translated financial result of the Brazilian operations. Adjusted pro forma II EBITDA decreased to EUR 23.9 (35.7) million and the adjusted pro forma II EBITDA margin to 5.5% (7.6%). In the fourth quarter 2012, the financial result was affected by a positive impact of approximately EUR 7 million as result of, inter alia, the release of certain accruals related to personnel liabilities and production costs. The result for the first quarter 2013 includes a positive impact on the result of approximately EUR 1 million as result of, the release of certain accruals related to personnel liabilities.

Industrial Applications business area

Reported

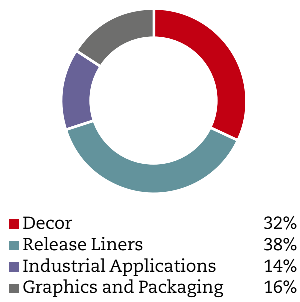
The year was characterised by a positive development of volumes, particularly in abrasive backings and thin papers, resulting in a 7% increase in deliveries.

Net sales increased as a result of increased volumes to EUR 158.0 (148.2) million.

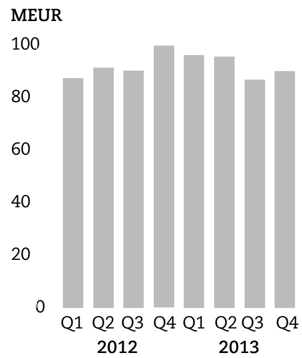
The investment in a wet pulp loading station for unbleached pulp, from Billingsfors, in the production facility in Aspa brought to completion in May 2013 contributed to a more favourable energy balance and increased capacity utilisation rate in the Billingsfors production facility. Other factors affecting financial result included improved capacity utilisation due to a positive development of volumes and reduced raw material costs. The holiday shutdown impacted the financial result to similar extent as in the previous year. EBITDA adjusted for non-recurring items increased to EUR 16.1 (12.2) million and the adjusted EBITDA margin to 10.2% (8.2 %). Operating result adjusted for non-

DECOR BUSINESS AREA

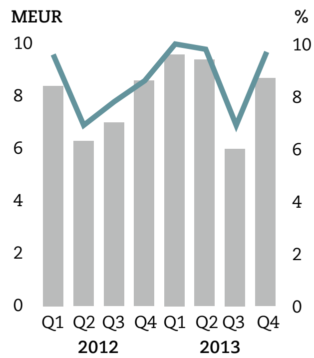
NET SALES PRO FORMA II[2)] 2013



NET SALES



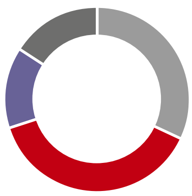
EBITDA & MARGIN (ADJ.*)



* Adjusted for non-recurring items.
[2)] Includes LP Europe and Coated Specialities from January 2012.

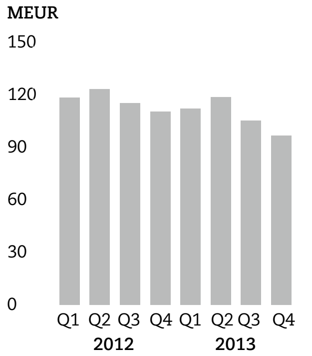
RELEASE LINERS BUSINESS AREA

NET SALES PRO FORMA II[2)] 2013

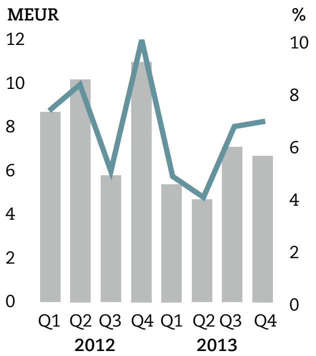


- Decor 32%
- Release Liners 38%
- Industrial Applications 14%
- Graphics and Packaging 16%

NET SALES PRO FORMA II[2)]



EBITDA & MARGIN (ADJ.*) PRO FORMA II[2)]



* Adjusted for non-recurring items.
2) Includes LP Europe and Coated Specialities from January 2012.

recurring items was EUR 8.6 (4.7) million with an adjusted operating margin of 5.4% (3.2%).

Operating result was EUR 7.3 (4.2) million with an operating margin of 4.6% (2.9%).

Graphics and Packaging business area

Reported

As the business area became part of the Group in connection with the completion of the first phase of the business combination on 27 May 2013, no financial result for the corresponding period last year is reported.

Net sales were EUR 102.4 million.

EBITDA adjusted for non-recurring items was EUR -1.5 million and the adjusted EBITDA margin -1.5%. Operating result adjusted for non-recurring items was EUR -5.1 million with an adjusted operating margin of -5.0%.

Operating result was EUR -12.6 million with an operating margin of -12.3%.

Pro forma II

Delivery volumes increased by 3% relative to 2012. The increase was mainly during the first half of the year. Pro forma II net sales decreased to EUR 175.9 (178.4) million.

The result for the fourth quarter 2012 includes a positive impact on the result of approximately EUR 1 million as result of the release of certain accruals for personnel liabilities. The result for the first quarter 2013 includes a positive impact on the result of approximately EUR 2 million as result of the release of certain accruals for personnel liabilities.

Adjusted pro forma II EBITDA decreased to EUR -0.6 (3.7) million and the adjusted pro forma II EBITDA margin to -0.3% (2.1%).

A programme was launched during the third quarter to substantially improve the business area's financial performance. The programme includes measures to reduce fixed costs, increase capacity utilisation rate and adjust the product mix to improve competitiveness. The strategic change that involves replacing low-margin products in the product portfolio had a slightly negative impact on capacity utilisation and thus financial result during the year. The holiday shutdown of the two production facilities included in the business area during the third quarter of 2013, had a negative impact on financial result. The production costs in the business area increased relative to 2012 mainly due to higher energy costs.

Parts of the programme to substantially improve the business area's financial result require consultations and information to the relevant trade unions in compliance with national laws and regulations. The process is ongoing and the ambition is to finalise during the first quarter of 2014. The cost of and savings for personnel reductions are included in the foreseen synergy costs and synergies.

Balance sheet, financing, cash flow and taxes

In connection with the business combination described above in the section titled 'Forming a global leader in specialty paper – combining Munksjö AB with Ahlstrom's Label and Processing business area', Munksjö Oyj in May 2013 entered into a EUR 365 million Term and Revolving Facilities Agreement.

The facilities consist of EUR 295 million term loan facilities to provide financing for the repayment of certain existing loans of Munksjö AB to credit institutions, and for the repayment of the debt assumed by Munksjö Oyj towards Ahlstrom Corporation in connection with the LP Europe demerger, and EUR 70 million revolving credit facility to provide working capital financing for Munksjö Oyj and its subsidiaries. At 31 December 2013, EUR 305 million of the total facilities of EUR 365 million had been utilised.

EUR 100 million of the term loan facility has bi-annual repayments of EUR 10 million commencing December 2013 and finishing March 2018. The remaining EUR 195 million is also repayable in March 2018. The interest payable under the facilities agreement depends on the ratio of consolidated senior net debt to consolidated EBITDA of the Group. Currently, the weighted average interest rate is approximately 4.2 per cent.

As a consequence of the net debt adjustment mechanism agreed upon in the business combination, Munksjö AB's shareholders received a net debt compensation amounting to EUR 11.5 million. This net debt compensation was invested in a directed share issue of Munksjö Oyj. Munksjö AB following the receipt of the new shares in Munksjö Oyj distributed the new shares to its shareholders in the form of a dividend in kind. In addition, Ahlstrom paid a total of EUR 9.5 million to the reserve for invested unrestricted equity of Munksjö Oyj in respect of a working capital adjustment.

Ahlstrom, EQT III Limited through Munksjö Luxembourg Holding S.à r.l. and the institutional investors, made equity investments in Munksjö Oyj's directed share issue of EUR 128.5 million divided between the investors as follows: Ahlstrom EUR 78.5 million, EQT III Limited EUR 25.0 million, Varma Mutual Pension Insurance Company EUR 6.25 million and Ilmarinen Mutual Pension Insurance Company EUR 18.75 million.

Interest-bearing net debt amounted to EUR

230.4 million at 31 December 2013 (30 September 2013: 257.5 31 December 2012: 217.3), resulting in a gearing of 54.4% (30 September 2013: 66.8%, 31 December 2012: 108.9%).

Shareholders' equity at the end of the year amounted to EUR 423.8 (30 September 2013: 385.7, 31 December 2012: 199.5) and total assets increased to EUR 1,188.3 (30 September 2013: 1,101.3: 31 December 2012: 679.0). The increase in equity and assets is mainly related to the business combination.

Net financial items

Net financial items for January-December 2013 amounted to EUR -22.9 (-16.3) million of which EUR 4.0 million relates to the amortisation of capitalised bank fees. Costs relating to the new facilities of Munksjö Oyj has been capitalised with EUR 9.7 million. These will be amortised over the duration of these facilities. The net financial cost for the period includes realised interest rate swaps of EUR -0.2 (-3.7) million. At the end of the year, the fair value of unrealised interest rate swaps amounted to EUR -0.2 (-0.1) million.

Hedging

Munksjö Oyj is hedging part of its electricity and pulp costs, as well as a part of the expected net cash flow in foreign currencies. Hedging activities are managed centrally and reported in segment 'other'. At the end of the year the market value of unrealised hedges amounted to EUR -1.3 (-0.4) million. The operating result for January to December 2013 includes realised hedges of EUR -0.7 (0.7) million.

Cash flow

Cash flow from operating activities amounted to EUR 45.7 (55.0) million. The cash outflow from capital expenditure amounted to EUR -22.6 (-14.8) million and the cash flow from financing activities was EUR -5.7 (-1.6) million. The cash flow during the financial year is i.a. impacted by the significant changes in corporate structure. The first interim report subsequent to the transaction with LP Europe as of the second quarter 2013 showed a net debt of EUR 268.2 million whereas as the net debt at the end of the fourth quarter 2013 amounted to EUR 230.4 million. The main factors affecting the cash flow generated from operations between these dates in addition to the underlying earnings is the effect of the working capital improvement program including an increase in factoring as well as the cash flow effect of the non-recurring items.

Capital Expenditures

Capital expenditure for January-December 2013 amounted to EUR 22.6 (14.8) million and was mainly related to smaller investments for maintenance. The comparative figures are only related to Munksjö AB. The largest recent investment project during the year has been a wet pulp loading station in the production facility in Aspa to receive pulp from the production facility in Billingsfors leading to better capacity utilisation in Billingsfors, and lower production cost per tonne. The construction commenced at the end of 2012 and was completed in May 2013.

Taxes

The income tax charge for the year ended was EUR -1.1 (-1.6) million representing an effective rate of 2.0 per cent. The charge is a combination of tax charges and tax benefits in local jurisdictions. The tax benefit from losses is low due to the significant level of non-deductible expenses related to the combination. The tax charge has also been impacted by an additional tax provision recorded in respect of an ongoing German tax audit.

SUMMARY OF FINANCING ACTIVITIES

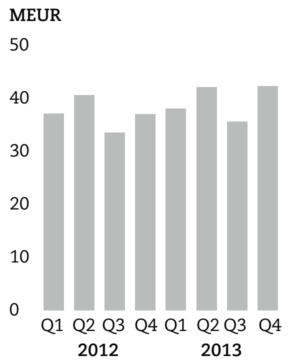
MEUR	
Dividends to Munksjö AB shareholders	-11.5
Working capital adjustment	9.5
Proceeds from directed share issue	128.5
Cost of share issue	-6.6
Proceeds from facilities agreement	315.0
Cost of new borrowings (excluding legal fees)	-9.6
Repayment of LP Europe debt	-154.3
Repayment of Munksjö AB borrowings	-264.3

BUSINESS AREA INDUSTRIAL APPLICATIONS

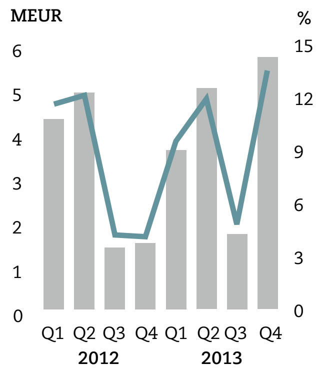
NET SALES PRO FORMA II[2] 2013

Decor	32%
Release Liners	38%
Industrial Applications	14%
Graphics and Packaging	16%

NET SALES



EBITDA & MARGIN (ADJ.*)



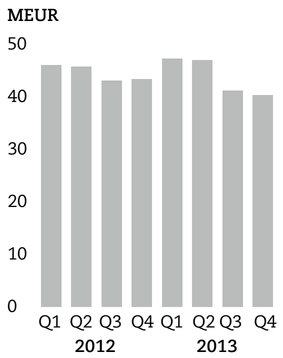
* Adjusted for non-recurring items
[2] Includes LP Europe and Coated Specialities from January 2012.

BUSINESS AREA GRAPHICS & PACKAGING

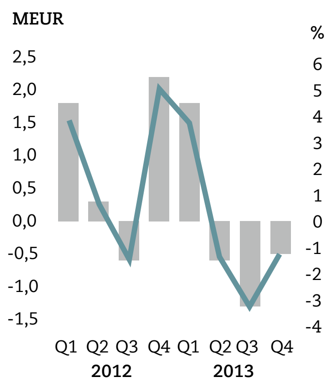
NET SALES PRO FORMA II[2] 2013

- Decor 32%
- Release Liners 38%
- Industrial Applications 14%
- Graphics and Packaging 16%

NET SALES PRO FORMA II[2]



EBITDA & MARGIN (ADJ.*) PRO FORMA II[2]



* Adjusted for non-recurring items.
[2] Includes LP Europe and Coated Specialities from January 2012.

Company structure and Management Team
Munksjö is organised in four business areas and five group functions. The Business Areas are Decor, Release Liners, Industrial Applications and Graphics and Packaging. The five group functions include Finance, Human Resources and Communications, Strategic Development, Legal and Sales Offices.

The new Management Team structure commenced in May 2013, as Munksjö Oyj was formed. The Mangement Team consists of the CEO, functional managers and managers of the various business areas. The members of the Management Team are nominated by the CEO and appointed by the Board of Directors. The members of the Management Team report to the CEO.

Employees
The reported number of employees (FTE's) was in average 2,216 (1,679) in 2013. The reported number is a calculated average with only seven months of the combined business entities included, with the exception of the employees in Brasil, included only for one month. At the end of December 2013, Munksjö had 2,893 (1,769) number of employees and the average number of employees (FTE's) for December was 2,783 (1,664).

Of Munksjö's total number of employees at the end 2013 38% (28%) were employed in France, 21% (36%) in Sweden, 16% (26%) in Germany, 10% (0%) in Italy, 8% (0%) in Brazil, 6% (9%) in Spain and 1% (1%) in other countries. More information about Munksjö's employees is available on page 29.

Product development
Munksjö's four business areas are responsible for their respective product development. Most of this work is carried out in the development center in Apprieu in France, with full focus on meeting customer requirements for functionality and quality. The development projects are initiated and implemented in collaboration with clients, but also in the context of Munksjö's own product development.

Risks and uncertainty factors
Munksjö is exposed to changing market conditions and uncertainty caused by both macroeconomic and industry related events and is therefore exposed to risks that may arise from its operations, changes in the business environment, developments in the global economy or potential changes in the legislative framework. The materialisation of such risks could have an adverse effect on Munksjö's operations, earnings and financial position.

Munksjö's significant risks and uncertainty factors mainly consist of developments in demand and prices of sold products, the cost and availability of significant raw materials, the financing risk, as well as risks related to changes in the operative environment and the financial markets. Munksjö may also have difficulties integrating the businesses of Munksjö AB and Ahlstrom's Label and Processing business and the expected benefits and synergies of the business combination may not be realised.

More information about risks related to Munksjö's business and risk management is available on page 42 and on www.munksjo.com.

Authorisations to repurchase and distribute the company's own shares
On 13 May, 2013 the shareholders of Munksjö resolved on the following issues.

Authorisation to repurchase own shares
The Board of Directors was authorised to repurchase at maximum 600,000 own shares of the company, however taking into account the provisions concerning the maximum amount of own shares held by the company. The own shares may be repurchased in one or several

THE MANAGEMENT TEAM CONSISTS OF;	
Jan Åström	President and CEO
Kim Henriksson	Executive Vice President and Chief Financial Officer
Daniele Borlatto	Executive Vice President and President Release Liners
Åsa Fredriksson	Senior Vice President HR and Communications
Anna Bergquist	Senior Vice President Strategic Development
Gustav Adlercreutz	Senior Vice President and General Counsel
Christian Mandl	Business Area Manager Manufacturing Decor
Norbert Mix	Business Area Manager Sales and Marketing Decor
Dan Adrianzon	President Industrial Applications
Roland Le Cardiec	President Graphics and Packaging

Complete profiles of the members of the Management Team are available on page 39.

instalments by using the invested unrestricted equity of the company. The authorisation is valid until 30 June 2014.

The shares may be repurchased otherwise than in proportion to the shareholders' holdings in the company through public trading in NASDAQ OMX Helsinki Ltd at the prevailing market price. The shares will be repurchased and paid in accordance with the rules and guidelines of NASDAQ OMX Helsinki Ltd and Euroclear Finland Ltd. The company's own shares may be repurchased for the development of the Company's capital structure, for consideration used in acquisitions or industrial reorganisations, for financing acquisitions of assets related to the company's business and as part of the incentive plan for company management as well as otherwise for further distribution, holding by the company or for annulment. The Board of Directors shall resolve on all other terms and conditions for the repurchase of own shares.

Current authorisation for a share issue

The Board of Directors was authorised to resolve on the issuance of at maximum 600,000 new shares of the company or own shares held by the company in a share issue as described below. The authorisation may be used in one or several instalments either against consideration or without consideration. The authorisation is valid until 30 June 2014.

The Board of Directors is authorised to resolve on to whom and in which order the shares will be issued. The Board of Directors may decide on the issuance of shares in deviation from the shareholders' pre-emptive rights. The Board of Directors may use the authorisation for the development of the company's capital structure, for consideration used in acquisitions or industrial reorganisations, for financing acquisitions of assets related to the company's business or as a part of the incentive plan for company managment. The shares may be conveyed also through public trading. The Board of Directors shall be authorised to resolve on all other terms and matters relating to the share issue in the same way as the General Meeting of shareholders would be entitled to decide.

Used authorisation for a share issue

The Board of Directors was authorized to resolve on the issuance of at maximum 28,000,000 new shares of the company in a share issue as described below. The authorisation may be used in one or several instalments either against consideration or without consideration. The Board of Directors is authorised to resolve on to whom and in which order the shares will be issued. The Board of Directors may decide on the issuance of shares in deviation from the shareholders' pre-emptive rights. The Board of Directors shall be authorised to resolve on all other terms and matters relating to the share issue in the same way as the General Meeting of shareholders would be entitled to decide.

The authorisation was valid until 30 June 2013 and was used on 24 May 2013 as part of the completion of the first phase of the combination between Munksjö AB and Ahlstrom's Label and Processing business. For further details, see Munksjö's stock exchange release published on 24 May 2013.

Approval of demerger and demerger plan related to Coated Specialties

The Board of Directors of Munksjö Oyj on 13 May 2013 signed a new demerger plan, according to which all the assets and liabilities that belong to Ahlstrom's Label and Processing business in Brazil (Coated Specialties) will be transferred to Munksjö Oyj through a partial demerger. The previous demerger plan concerning Coated Specialties was cancelled due to the fact that the conditions for implementing the demerger were not fulfilled prior to the expiration of the decision made by Ahlstrom's Extraordinary General Meeting on 27 November 2012. In accordance with the Coated Specialties demerger plan, the shareholders of Munksjö Oyj, resolved on 17 May 2013, on the date of implementation of the demerger, to issue new shares for the payment of the demerger consideration for Coated Specialties. Pursuant to the demerger plan, the shareholders of Ahlstrom Corporation received, in connection with the implementation of the demerger, at the turn of the month November 2013, Munksjö shares as a demerger consideration as described below under the heading 'Shares and shareholders'.

Shares and shareholders

The trading in Munksjö Oyj's shares commenced on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Ltd) on 7 June 2013 under the trading symbol MUNK1. All shares carry one vote each and have equal rights.

Munksjö Oyj's Board of Directors resolved on 24 May 2013, based on the authorisation by the shareholders of Munksjö Oyj on 13 May 2013, and as part of the completion of the combination of Munksjö AB and Ahlstrom's Label and Processing business, to issue in the aggregate 12,306,807 new shares to the shareholders of Munksjö AB against the transfer of all of the shares in Munksjö AB to the company. The Board of Directors also resolved, based on the same authorisation, to issue in the aggregate 14,865,357 new shares to Ahlstrom Corporation, Munksjö Luxembourg Holding S.à r.l. (EQT), Munksjö AB, Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company.

Further in May 2013, a total of 11,597,326 new shares in Munksjö Oyj, and in December 2013 a total of 12,291,991 new shares were issued as demerger consideration to Ahlstrom's shareholders in connection to the execution of the two phase of the combination. Following the registration of the new shares issued in connection with the demergers and the other share issues as described above, the share capital of Munksjö Oyj amounts to EUR 15,000,000 and the total number of shares as of 2 December 2013 to 51,061,581. From the listing date 7 June 2013 to 2 December 2013 the share capital amounted to 38,769,590. No changes in the share capital have occurred since the listing in June. Munksjö does not hold any own shares.

In 2013, the price of Munksjö share decreased by 9.2%, while the index Nasdaq OMX Helsinki (OMXHPI) rose by 22.2% and the OMX Helsinki Mid Cap (OMXHMCPI) rose by 17.3%.

For the reported trading period consisting of 142 trading days, the volume of trades on the Helsinki Stock Exchange was 2,540,515 shares, equivalent to a turnover of EUR 12,160,016. Munksjö's share is also traded on alternative exchanges, such as BATS Chi-X, however the trading volume on these alternative exchanges in 2013 was marginal.

The daily average trading volume during 2013 was 17,891 shares and the weighted average share price was EUR 4.84. The highest share price was EUR 6.10 and the lowest EUR 4.65. On the last trading day of the reported trading period, 30 December 2013, the share price was EUR 5.40 (30 September 2013: 4.86) and the corresponding market capitalisation was EUR 276 million (30 September 2013: EUR 188 million).

Demerger consideration in connection with the combination

Upon execution of the demerger of LP Europe, the shareholders of Ahlstrom Corporation received as demerger consideration 0.250 and in connection with the execution of the demerger of Coated Specialities 0.265 new shares in Munksjö Oyj for each share owned in Ahlstrom Corporation. In case the number of shares received by a shareholder of Ahlstrom as demerger consideration was a fractional number, the fractions were rounded down to the nearest whole number. No demerger consideration was paid on the basis of own shares held by Ahlstrom.

Large shareholders and flaggings

During the reporting period Munksjö received annoncements about four major changes with regards to the largest shareholders.

On 21 November 2013 Munksjö received an announcement according to which Vimpu Intressenter Ab's holding in Munksjö has exceeded the threshold of 5 per cent on 20 November 2013.

On 2 December 2013 Munksjö received three announcements. According to the first announcement, the holding of EQT has fallen below the threshold of 25 per cent after the registration of the new shares issued as demerger consideration to Ahlstrom Corporation's shareholders in connection with the Coated Specialty demerger. According to the second announcement, the direct holding of Ahlstrom Corporation has fallen below the threshold of 20 per cent due to the same registration as above. As earlier communicated, no demerger consideration was paid on the basis of own shares held by Ahlstrom Corporation in the Coated Specialties demerger. According to the third announcement the direct holding of Ilmarinen Mutual Pension Insurance Company has increased in connection with the registration of the new shares issued as demerger consideration in the Coated Specialties demerger, but has fallen below the threshold of 5 per cent.

After the reporting period Munksjö has been informed of four major changes with regards to the largest shareholders. The information can be found under the heading 'Events after the end of the reporting period'.

Munksjö had approximately 12,150 shareholders in the end of 2013. Munksjö Oyj's largest shareholder is EQT III, a fund owned by EQT. In the end of 2013 EQT held 24.4 per cent of all shares and voting rights. Information regarding the largest shareholders of Munksjö is regularly updated on the Investor website at www.munksjo.com.

Board of Directors and Board Committees

On 13 May 2013 the shareholders of Munksjö Oyj unanimously resolved that the Board should have six members. The following were elected as members of the board; Peter Seligson (chairman), Fredrik Cappelen Sebastian Bondestam, Elisabet Salander Björklund, Hannele Jakosuo-Jansson and Jarkko Murtoaro. The Board commenced their duty 28 May and in June 2013 Fredrik Cappelen was elected as the Deputy Chairman of the Board.

More information about the Board is available on page 39.

Board Committees
The Board of Directors of Munksjö Oyj has elected an Audit Committee and a Remuneration Committee to assist the Board in its operations.

The primary task of the Audit Committee is to assist the Board in fulfilling its supervisory responsibilities and prepare certain accounting and auditing matters to be handled by the Board. In June 2013, the Board of Directors decided that the Audit Committee consists of the following three members: Elisabet Salander Björklund (chairman), Jarkko Murtoaro and Sebastian Bondestam.

The Remuneration Committee's principal task is to assist the Board in the efficient preparation and handling of the matters pertaining to the appointment and dismissal of the CEO and other executives and their remuneration. In June 2013, the Board of Directors decided that the Remuneration Committee consists of the following three members: Peter Seligson (chairman), Fredrik Cappelen and Hannele Jakosuo-Jansson.

Nomination Board
On 13 May 2013 the shareholders of Munksjö Oyj unanimously resolved to establish a Nomination Board for an indefinite period to prepare proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of the members of the Board committees and the Nomination Board. The Nomination Board comprises representatives of the three largest shareholders of the company and, in addition, of the Chairman of the Board and a person nominated by the company's Board of Directors as expert members.

The right to nominate the shareholder representatives lies with those three shareholders whose share of all the voting rights in the company is on 31 May preceding the next Annual General Meeting the largest on the basis of the shareholders' register of Munksjö held by Euroclear Finland. Holdings by a group of shareholders, who have agreed to nominate a joint representative to the Nomination Board, will be summed up when calculating the share of all the voting rights, provided that the shareholders in question present a joint written request to that effect together with a copy of such an agreement to the Chairman of the Board no later than on 30 May preceding the Annual General Meeting. Munksjö has been informed that such an agreement has been made by the following five shareholders; Antti Ahlström Perilliset Oy, Johan Gullichsen, Monica Koivulehto, Andreas Ahlström and Carl Ahlström.

The Nomination Board has been appointed by the following three shareholders: Munksjö Luxembourg Holding S.à r.l. (EQT), Ilmarinen Mutual Pension Insurance Company and the group of five shareholders together, as described above. These shareholders have appointed the following three persons as their representatives in the Nomination Board: Caspar Callerström (EQT), Timo Ritakallio (Ilmarinen Mutual Pension Insurance Company) and Thomas Ahlström (Antti Ahlström Perilliset Oy and others). Ahlstrom Corporation renounced its right to appoint a representative to the Nomination Board due to which the nomination right transferred to the next largest shareholder.

The Chairman of the Board Peter Seligson will act as one expert member of the Nomination Board in addition to which the Board has elected Fredrik Cappelen as a second expert member of the Nomination Board. The Nomination Board has among its members elected Caspar Callerström as Chairman.

The Nomination Board decided at the meeting 20 January 2014 about the proposals to the Annual General Meeting 2014. More information can be found under the heading 'Events after the reporting period'.

Annual General Meeting 2014
The Annual General Meeting of Munksjö Oyj will be held on Wednesday, 2 April 2014 at the Finlandia Hall in Helsinki, Finland. The notice to convene the Annual General Meeting was published on 13 February 2014.

Outlook
During the first half of 2014, demand for Munksjö's products is expected to be generally stable, but some improvement in certain product areas can be seen. Prices are expected to remain at the same level at the beginning of 2014 as in the fourth quarter of 2013.

The synergy benefits of EUR 20-25 million will be achieved earlier than expected, since the annual run-rate is expected to be within the communicated range already during 2014, and are in their entirety expected to be realised already during 2015.

The production facility in Aspa, Sweden will prolong the intervals between the maintenance stops from 12 to 18 months. This means that Aspa's maintenance shutdown will take place already in early April 2014. Otherwise, the yearly shutdowns for the holiday, during which planned maintenance operations are scheduled, are expected to be carried out to the same extent as in 2013.

Other issues

Munksjö operates in several countries and from time-to-time disputes arise in the course of day-to-day operations. Munksjö is involved in a number of legal actions, claims and other proceedings. The final outcome of these matters cannot be predicted and taking into account all available information to date the outcome is not expected to have a significant impact on the financial position of the company.

Events after the end of the reporting period

Change in Ahlstrom Corporation's holding in Munksjö Oyj

Munksjö Oyj has on 9 January 2014 received an announcement according to which the direct holding of Ahlstrom Corporation in Munksjö has decreased and fallen below the threshold of 15 per cent. According to the announcement, the direct holding of Ahlstrom Corporation has decreased to 6,767,220 shares, corresponding to 13.25 per cent of Munksjö's shares and voting rights.

Announcement regarding an arrangement which, if completed, will result in a change of the holding of Ahlström Capital Oy

Munksjö received an announcement 10 January 2014 from Ahlström Capital Oy, according to which Ahlström Capital Oy's holdings in Munksjö in connection with the demerger of Antti Ahlström Perilliset Oy exceed the threshold of 5 per cent. The expected registration date of the demerger is 28 March 2014. After the completion of the demerger, the direct and indirect holding of Ahlström Capital Oy would correspond to 5.69 per cent of Munksjö's shares and voting rights.

Announcement regarding an arrangement which, if completed, will result in a change of the holding of Ahlström Corporation and Antti Ahlström Perilliset Oy

Munksjö Oyj has on 31 January 2014 received two announcements regarding agreement that can result in a change of holdings in Munksjö.

According to Ahlstrom Corporation, in the case that the Annual General Meeting of Ahlstrom Corporation would decide upon a dividend in accordance with the proposal of the Board of Directors and the share compensation agreed upon in the price risk sharing agreement between Ahlstrom and EQT that Ahlstrom gave notice of on 9 January 2014, would not materialise, the holding would decrease and fall below the threshold of 10 per cent and the holding would be 4,972,197 shares, corresponding to 9.74 per cent of Munksjö's shares and voting rights.

According to Antti Ahlström Perilliset Oy, the company's holding in Munksjö, if the Annual General Meeting of Ahlstrom Corporation would decide upon a dividend in accordance with the proposal, could increase and exceed the threshold of 5 per cent and the direct holding would be 2,587,320 shares, corresponding to 5.07 per cent of Munksjö's shares and voting rights.

On 10 February 2014 Munksjö received an announcement from Ahlstrom Corporation according to which the share compensation agreed upon in the price risk sharing agreement between Ahlstrom and EQT had materialised and Ahlstrom had received 818 438 shares from EQT. The holding of Ahlstrom Corporation consequently did not fall below the threshold of 10 per cent.

Proposals of the Nomination Board to the Annual General Meeting 2014

The Nomination Board has at its meeting 20 January 2014 submitted the following proposals to the Board of Directors;

Proposal on the composition of the Board of Directors

The number of Board members shall increase by one and shall be confirmed at seven (7). Current members of the Board of Directors; Peter Seligson, Fredrik Cappelen, Sebastian Bondestam, Elisabet Salander Björklund and Hannele Jakosuo-Jansson shall be re-elected. Caspar Callerström and Alexander Ehrnrooth shall be elected as new members of the Board of Directors. Jarkko Murtoaro, current member of the Board, has informed the Nomination Board that he is not available for re-election.

Caspar Callerström (born 1973), Swedish citizen, M.Sc. (Econ.), joined EQT Partners in 1996 and is currently Partner in the company. Between October 2007 and December 2013, Mr. Callerström was Head of EQT Equity in Stockholm. Mr. Callerström has held and currently holds several positions of trust. He currently serves as a member of the Board of Sanitec Corporation and Scandic AB. Mr. Callerström is independent of the company and dependent on its significant shareholders.

Alexander Ehrnrooth (born 1974), Finnish citizen, M.Sc. (Econ) and MBA, is currently CEO of Virala Oy AB and Vimpu Intressenter AB. Mr. Ehrnrooth has held and currently holds several positions of trust. He currently serves as the Vice Chairman of the Board of Fiskars Corporation, member of the Board of Wärtsilä Corporation and Chairman of the Board of Belgrano Investments Oy. Mr. Ehrnrooth is independent of the company and its significant shareholders.

The CV's of the current members of the Board of Directors are available on the corporate website at www.munksjo.com.

Proposal on the remuneration of the members of the Board of Directors, the Board committees and the Nomination Board

The annual remuneration paid to the Board of Directors shall remain unchanged. The Chairman shall receive EUR 70,000 a year and the ordinary members EUR 35,000 each. The annual remuneration paid to the Board committees shall remain unchanged. The Chairman of the Audit Committee shall annually receive EUR 9,000 and the ordinary members EUR 6,000 each. The Chairman of the Remuneration Committee shall annually receive EUR 6,000 and the ordinary members EUR 3,000 each.

The chairman and the members of the Nomination Board will not receive any compensation.

The Board of Director's proposal to pay dividend

There are no distributable retained earnings in the balance sheet of Munksjö Oyj as per 31 December, 2013 and the Board of Directors proposes that no dividend will be paid for the fiscal year 2013.

The Board of Directors proposes that the Annual General Meeting would decide to pay funds from the reserve for invested non-restricted equity as return of equity based on the balance of 31 December 2013 adopted by the Annual General Meeting, the amount of return being EUR 0.1 per share. The return of equity shall be paid to a shareholder who on the record date of the payment 7 April 2014 is registered in the shareholder register of the Company held by Euroclear Finland Ltd. The Board further proposes that the return of equity shall be paid to the shareholders on 14 April 2014.

Board of Directors

Consolidated statement of comprehensive income

MEUR	Note	2013	2012	2011
Net sales	4	863.3	607.1	604.0
Other income		6.9	2.7	2.2
Total income		**870.2**	**609.8**	**606.2**
Changes in inventories		2.2	–7.8	–8.4
Materials and supplies		–447.7	–311.3	–313.2
Other external costs	5	–255.5	–142.4	–141.2
Personnel costs	7	–163.6	–115.5	–110.2
Depreciation and amortisation	10	–39.3	–25.4	–22.7
Share of profit in equity accounted investments	16	0.3	0.0	0.0
Operating profit		**–33.4**	**7.4**	**10.5**
Financial income	11	1.0	19.2	23.0
Financial costs	11	–23.9	–35.5	–34.3
Net financial expense		**–22.9**	**–16.3**	**–11.3**
Profit/(loss) before tax		**–56.3**	**–8.9**	**–0.8**
Taxes	12	–1.1	–1.6	3.9
Net profit/(loss) for the year		**–57.4**	**–10.5**	**3.1**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		–1.0	3.5	–0.1
Change in cash flow hedge reserve		–2.8	4.0	–2.9
Cash flow hedge transferred to this year's result		1.0	3.1	3.6
Items that will not be reclassified to profit or loss				
Actuarial gains and losses on defined benefit plans		1.8	–3.8	–1.3
Tax attributable to other comprehensive income		0.2	–0.7	0.1
Total comprehensive income, net of tax		**–58.2**	**–4.4**	**2.5**
Profit attributable to:				
Parent company shareholders		–57.7	–11.0	2.9
Non-controlling interests		0.3	0.5	0.2
Total comprehensive income attributable:				
Parent company shareholders		–58.5	–4.9	2.3
Non-controlling interests		0.3	0.5	0.2
Earnings per share*, EUR		–2.0	–0.9	0.2

* There were no dilution effects

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

MEUR	Note	2013-12-31	2012-12-31	2011-12-31
ASSETS				
Non-current assets				
Tangible assets	15	447.5	236.4	240.8
Goodwill	14	226.6	155.8	156.0
Other intangible assets	14	56.4	10.7	11.6
Equity accounted investments	16	14.5	2.2	2.1
Other non-current assets		4.1	2.0	0.0
Deferred tax assets	12	53.3	27.8	36.0
Total non-current assets		**802.4**	**434.9**	**446.6**
Current assets				
Inventory	17	146.6	90.5	102.8
Accounts receivable	25	128.7	80.6	83.7
Other current assets	18	27.1	11.5	14.0
Current tax asset		0.4	4.4	3.4
Cash and cash equivalents	19	83.1	57.1	18.0
Total current assets		**385.9**	**244.1**	**221.8**
TOTAL ASSETS		**1 188.3**	**679.0**	**668.5**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

MEUR	Note	2013-12-31	2012-12-31	2011-12-31
EQUITY AND LIABILITIES				
Equity				
Attributable to parent company's shareholders				
Share capital	20	15.0	7.7	7.7
Reserve for invested unrestricted equity		287.1	–	–
Other reserves		394.4	408.3	399.5
Retained earnings		–276.3	–220.2	–206.5
		420.2	**195.8**	**200.7**
Non controlling interests		3.6	3.7	3.5
Total equity		**423.8**	**199.5**	**204.2**
Non-current liabilities				
Non-current borrowings	21, 22	271.9	258.9	255.8
Loans from shareholders	21, 22	–	0.7	0.8
Other non-current liabilities		0.1	1.9	3.1
Pension obligations	9	45.9	35.7	31.0
Deferred tax liabilities	12	83.3	27.6	34.6
Non-current provisions	23	36.1	10.2	10.2
		437.3	**335.0**	**335.5**
Current liabilities				
Current borrowings	21, 22	45.0	14.8	14.9
Accounts payable		167.4	69.6	50.2
Liabilities to equity accounted investments	16	8.4	10.1	4.3
Accrued expenses and deferred income	24	88.6	42.0	48.7
Current tax liabilities		8.3	1.3	3.7
Other current liabilities		9.5	6.7	7.2
		327.2	**144.5**	**128.9**
Total liabilities		**764.5**	**479.5**	**464.3**
TOTAL EQUITY AND LIABILITIES		**1 188.3**	**679.0**	**668.5**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to owners of the parent								
MEUR	Share capital	Reserve for invested unrestricted equity	Other contributed equity	Foreign currency translation reserve	Hedging Reserve	Retained Earnings	Total	Non–controlling interest	TOTAL EQUITY
Balance at 1 January 2011	2.6	–	341.6	4.7	–5.5	–208.5	134.9	3.6	138.5
Profit/(loss) for the year	–	–	–	–	–	2.9	2.9	0.2	3.1
Other comprehensive income before tax	–	–	–	–0.1	0.7	–1.3	–0.7	–	–0.7
Tax on other comprehensive income	–	–	–	–	–0.2	0.3	0.1	–	0.1
Total comprehensive income for the year	**–**	**–**	**–**	**–0.1**	**0.5**	**1.9**	**2.3**	**0.2**	**2.5**
New share issue	5.1	–	58.4	–	–	–	63.5	–	63.5
Dividends	–	–	–	–	–	–		–0.3	–0.3
BALANCE AT 31 DECEMBER 2011	**7.7**	**–**	**400.0**	**4.6**	**–5.1**	**–206.5**	**200.7**	**3.5**	**204.2**
Profit/(loss) for the year	–	-	–	–	–	–11.0	–11.0	0.5	–10.5
Other comprehensive income before tax	–	–	–	3.5	7.1	–3.8	6.8	–	6.8
Tax on other comprehensive income	–	–	–	–	–1.8	1.1	–0.7	–	–0.7
Total comprehensive income for the year	**–**	**–**	**–**	**3.5**	**5.3**	**–13.7**	**–4.9**	**0.5**	**–4.4**
Dividends	–	–	–	–	–	–	–	–0.3	–0.3
BALANCE AT 31 DECEMBER 2012	**7.7**	**–**	**400.0**	**8.1**	**0.2**	**–220.2**	**195.8**	**3.7**	**199.5**
Profit/(loss) for the year	–	–	–	–	–	–57.7	–57.7	0.3	–57.4
Other comprehensive income before tax	–	–	–	–1.0	–1.8	1.8	–1.0	–	–1.0
Tax on other comprehensive income	–	–	–	–	0.4	–0.2	0.2	–	0.2
Total comprehensive income for the year	**–**	**–**	**–**	**–1.0**	**–1.4**	**–56.1**	**–58.5**	**0.3**	**–58.2**
New share issue for combination	7.3	165.4	–	–	–	–	172.7	–	172.7
Directed share issue	–	128.5	–	–	–	–	128.5	–	128.5
Share exchange and listing costs	–	–6.8	–	–	–	–	–6.8	–	–6.8
Dividends	–	–	–11.5	–	–	–	–11.5	–0.4	–11.9
BALANCE AT 31 DECEMBER 2013	**15.0**	**287.1**	**388.5**	**7.1**	**–1.2**	**–276.3**	**420.2**	**3.6**	**423.8**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

MEUR	Note	2013	2012	2011
Operating activities				
Operating profit/(loss)		–33.4	7.4	10.5
Adjustment for:				
Depreciation	14,15	39.3	25.4	22.7
Interest received		0.3	1.7	1.8
Interest paid		–12.6	–13.1	–11.1
Tax paid		–6.4	–4.5	–4.5
Net cash generated from operating activities before changes in working capital		**–12.8**	**16.9**	**19.4**
Cash flow from changes in working capital				
Changes in inventories		4.4	16.0	–5.5
Changes in operating liabilities		26.0	21.2	–7.2
Changes in operating receivables		28.1	0.9	–5.0
Net cash generated from operating activities		**45.7**	**55.0**	**1.7**
Investing activities				
Acquisition of subsidiaries, net of cash acquired	3	–	–	–74.9
Cash in acquired entities	3	9.1	–	–
Purchase of tangible fixed assets	15	–21.0	–14.0	–18.7
Proceeds from sale of tangible fixed assets		0.0	0.0	3.2
Purchase of intangible fixed assets	14	–1.6	–0.8	–0.1
Cash flow used in investing activities		**–13.5**	**–14.8**	**–90.5**
Financing activities				
Dividends		–11.9	–0.3	–0.3
Proceeds from share issue, net of costs	21	121.9	–	63.5
Proceeds from borrowings, net of bank fees	21	306.6	–	14.1
Repayment of borrowings	21	–277.5	–1.3	–1.6
Repayment of Ahlstrom borrowings	21	–154.3	–	–
Working Capital compensation from Ahlstrom	3	9.5	–	–
Cash flow from financing activities		**–5.7**	**–1.6**	**75.6**
CASH FLOW FOR THE YEAR		**26.5**	**38.6**	**–13.2**
Cash and cash equivalents at the beginning of the year		57.1	**18.0**	**31.2**
Cash flow for the year		26.5	38.6	–13.2
Exchange gains/(losses) on cash and cash equivalents		–0.5	0.4	0.0
CASH AND CASH EQUIVALENTS AT YEAR-END	19	**83.1**	**57.1**	**18.0**

The accompanying notes are an integral part of these consolidated financial statements.

Notes

NOTE 1 Significant accounting policies

General

On 28 August 2012, Munksjö Oyj, Munksjö AB, EQT and Ahlstrom Corporation agreed to form a global leader in specialty papers by combining Munksjö AB with Ahlstrom's Label and Processing business area in Europe (LP Europe) and Brazil (Coated Specialties). The combination of the operations was completed in two phases during 2013. Phase 1, the combination of Munksjö AB with LP Europe, was effected on 27 May following regulatory approvals from the European Commission's Competition Authority and the Brazilian Competition Authority (CADE). The second phase of the combination was completed on 2 December, when the Coated Specialites operation's in Jacarei, Brazil was combined with Munksjö Oyj in a partial demerger. Legally through the Munksjö AB acquisition, Munksjö acquired Munksjö AB by issuing new shares for the shares of Munksjö AB through a share exchange. After this share exchange, Munksjö acquired LP Europe by means of the LP Europe Demerger. Munksjö AB was identified as the acquirer for accounting purposes (IFRS acquiring criteria). Accordingly, in Munksjö Oyj's consolidated financial statements, the share exchange between Munksjö Oyj and the shareholders of Munksjö AB is accounted for as a reorganisation of Munksjö AB and Munksjö AB's net assets are recorded at predecessor carrying amounts with the historical comparatives of Munksjö AB presented for all periods. As Munksjö Oyj is the new parent and listed company the presentation currency has been changed from Swedish krona to Euro. The choice of presentation currency represents an accounting policy and any change should be applied retrospectively in accordance with IAS 8. The exchange differences on translation of foreign operations recognised in other comprehensive income and the statement of changes in equity in this report have been prepared as if the EUR had always been the presentation currency.

Munksjö Oyj, Corporate Identity Number, 2480661-5, is a Finnish company, registered in Helsinki, Finland. The company's address is Kasarmikatu 46-48, 00130 Helsinki. The consolidated accounts for 2013 comprise of the Parent Company and its subsidiaries, together called the Group. The consolidated accounts were approved by the Board of Directors on February 13 and are expected to be adopted by the AGM on April 2.

Summary of key accounting policies

The key accounting policies applied during the preparation of this annual report are presented below.

The functional currency of the Parent Company is EUR and the Group financial statements are presented in MEUR, unless otherwise indicated.

Non-current assets and non-current liabilities consist of amounts that are expected to be recovered or paid more than 12 months after the reporting period. Current assets and current liabilities consist of amounts that are expected to be recovered or paid within 12 months of the end of the reporting period.

Basis for preparing the reports

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the Commission of the European Communities ("EU") for application in the European Union.

The accounting policies outlined below have, with those exceptions that are described in more detail, been applied consistently on the reporting and consolidation of the Parent Company, subsidiaries, as well as when incorporating associated companies and joint ventures in the consolidated accounts.

New and amended standards adopted by the group

IAS 19, 'Employee benefits' was amended in June 2011 and is effective for annual periods beginning on or after 1 January 2013. The amendment abolished the use of the corridor method. All actuarial gains and losses must be reported in Other Comprehensive Income "OCI" as they occur; all past service costs are to be recognised immediately; and interest cost and expected return on plan assets has been replaced by a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The amendment had an immaterial impact on the Group as the existing defined benefit pension Group accounting policy did not use the corridor method and actuarial gains and losses were recognised in OCI. The majority of defined benefit plans are unfunded therefore the impact of calculating expected return on plan assets at the same interest rate applied to discounting the liability was immaterial.

IFRS 13, 'Fair Value Measurement' replaces the fair value measurement guidance in the individual standards with a single source of fair value measurement and disclosure requirement guidance. The adoption of the standard had no impact on the reported information of the group.

Amendment to 'IAS 1 Presentation of Financial Information' changed the grouping of items in other comprehensive income so that items that may be reclassified to profit and loss at a future point in time are presented separately from items that will never be reclassified.

Standards issued but not yet effective in the European Union

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and amended in December 2011. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The Group is yet to assess IFRS 9's full impact but is not expected to early adopt this standard.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and early adopted is not anticipated. The standard has an EU approved effective date of 1 January 2014.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and early adopted is not anticipated. The standard has an EU approved effective date of 1 January 2014.

IFRS 11, 'Joint arrangements', focuses on the rights and obligations of the parties to the arrangement rather than the legal form. There are two types of joint arrangments: joint operations and joint ventures. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures are accounted for under the equity method, proportional consolidation for these type of arrangements is prohibited. The Group policy is to account for joint ventures using the equity method therefore the adoption of the standard will have no effect with the exception of an arrangement in Turin which will be classified as a joint operation. This arrangement has been accounted for using the equity method and from 1 January 2014 we will account for our share of the assets, liabilities, revenue and expenses. No impact on consolidated equity or profit after income tax is anticipated.

Valuation policies applied in the preparation of the financial statements

Assets and liabilities are reported at historical cost, with the exception of certain financial assets and liabilities, which are measured at fair value or amortised cost. Financial assets and liabilities measured at fair value consist of financial assets classified as financial assets measured at fair value through profit or loss for the year or available for sale financial assets.

Translation of foreign currency

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rate in force on the transaction date. The functional currency is the currency of the primary economic environments in which the Group's companies carry out their business. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the reporting date exchange rate. Exchange rate differences arising from the conversions are recognised in profit/loss for the year. Non-monetary assets and liabilities recognised at their historical costs are translated at the exchange rate applicable at the time of the transaction. Non-monetary assets and liabilities recognised at fair value are converted into the functional currency at the rate in effect at the time of the fair value assessment.

Group companies
The results and financial position of all Group companies (none of which are operating with hyper-inflation currencies) that have a functional currency other than the presentation currency, are translated into the Group's presentation currency as follows:

Assets and liabilities for each of the consolidated statements of financial position are translated according to the closing day rate.

Income and expenses for each of the consolidated statements of comprehensive income are translated according to the average exchange rate (provided the average exchange rate constitutes a reasonable approximation of the accumulated effect of the exchange rates that were in force on the transaction date, otherwise income and expenses are translated according to the exchange rate on the transaction date).

All resulting translation differences are reported in other comprehensive income. Goodwill and adjustments to fair value that arise during the acquisition of a foreign business are treated as assets and liabilities of that business and translated according to the closing day rate.

Judgements and estimates in the financial accounts
Preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the figures reported for assets, liabilities, income and expenses. The actual outcome may deviate from these estimates and judgements. The estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period in which they are made. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates that may cause material adjustments to the financial statements in subsequent years are disclosed in greater detail in Note 2.

Operating segments
Munksjö's operations are divided up into operating segments based on which parts of the operations the company's ultimate executive decision makers monitor, that is, according to the management approach. The Group's operations are organised in such a way that the senior management team monitors the profit or loss and the operating margin generated by the Group's various product areas. Each operating segment provides regular reports to the senior management team on the outcome of the operating segment's efforts and its resource requirements. Since the senior management team monitors the profit or loss and determines resource allocations based on the product areas for the Group's production and sales, these constitute the Group's operating segments. Munksjö's operating segments have been identified in accordance with IFRS 8 and comprise the business areas Decor, Release Liner, Industrial Applications and Graphics and Packaging. Unallocated corporate costs and eliminations are reported under the heading Other. In response to the business combination described in Note 3, the segments changed from last year, described further in Note 4.

Consolidated financial statements
Subsidiaries
Subsidiaries are companies in which Munksjö Oyj has a controlling influence. Controlling influence entails a direct or indirect right to determine a company's financial and operational policies. Usually this means that Munksjö has more than 50 percent of the voting rights. The assessment of whether a controlling influence exists, takes into account potential voting shares that can be exercised or converted without delay.

Acquisition of subsidiaries are recognised in accordance with the acquisition method. The consideration for an acquisition of a subsidiary consists of the fair value of assets given and liabilities incurred or assumed at the date of acquisition. Transaction fees directly attributable to the acquisition are reported directly in the income statement as they arise. Identifiable assets acquired and liabilities assumed and contingent liabilities in a business combination are measured initially at their fair values on the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration over the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. If the consideration is less than the fair value of the acquired subsidiary's assets, liabilities and contingent liabilities, the difference is recognised directly in the income statement. Intra-Group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies for subsidiaries are changed where necessary to ensure consistent application of the Group's policies.

Subsidiaries' financial accounts are included in the consolidated accounts from the time of acquisition and until the Group no longer has a controlling influence.

Transactions between owners
The Group applies the principle of reporting transactions with non-controlling interests as transactions with equity owners of the Group. Divestments to and purchases from non-controlling interests result in gains and losses for the Group, which are reported in equity. Transactions between owners are reported exclusively within shareholders' equity.

Equity accounted investments
Associated companies are those in which the Group has a significant, but non-controlling influence over operational and financial policies, commonly through holdings corresponding to between 20 and 50 percent of votes. From the point at which a significant influence is obtained, participations in associated companies are reported in the consolidated accounts in accordance with the equity method. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of all the parties sharing control. Joint ventures are accounted for using the equity method.

Under the equity method the carrying value of holdings in equity accounted investments are reported in the consolidated accounts in proportion to the Group's share of equity, together with any goodwill recognized when significant influence or joint control was established. In the Consolidated Statement of Comprehensive Income, "Share of profit in equity accounted investments" includes the Group's share of earnings after tax attributable.

Where the Group's share of losses reported by the associated or joint venture company exceeds the carrying value of the Group's participations, the value of the participation is reduced to zero. Further losses are not recognised unless the Group has given guarantees to cover losses arising in the equity accounted investment.

The equity method is applied until the point in time at which the significant influence or the joint contractual agreement ceases.

Transaction eliminated on consolidation
Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-Group transactions between Group companies are eliminated in full when preparing the consolidated accounts.

Unrealised gains arising from transactions with associated companies are eliminated to the extent of the Group's participating interest in the companies. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue
Revenue encompasses the fair value of what has been received or is expected to be received for sold goods and services sold in the Group's operating activities. Income is reported excluding VAT, returns and discounts, and after elimination of intra-Group sales.

The Group reports income when the amount can be measured in a reliable manner, when it is likely that future economic benefits will accrue to the company and special criteria have been satisfied for each of the Group's businesses as described below. The Group bases its assessments on historical outcomes and takes into account customer type, transaction type and special circumstances in each individual case.

Sale of goods
Munksjö's revenue comprises mainly the sale of manufactured products. Revenue for sales of goods is recognised in the Consolidated Statement of Comprehensive Income when significant risks and rewards associated with the ownership of the goods are transferred to the buyer in accordance with the terms of delivery. The Groups's terms of delivery are based on Incoterms 2010.

Interest income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for sale, interest income is recorded using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Government grants
Government grants are recognised in the Consolidated Statement of Financial Position as deferred income when there is reasonable certainty that the subsidy will be received and that the Group will meet the conditions associated with the grant. Grants related to expense items are recognised on a systematic basis in the Consolidated Statement of Comprehensive Income in the same way and across the same periods as the expenses that the grants are intended to offset. Government grants related to fixed assets reduce the gross cost of the fixed assets.

Leasing
Operating leasing agreements
Leases in which a significant part of the risks and benefits of ownership are retained by the lessor are classified as operational leases. Payments made during the leasing period (after deductions for any rewards from the lease provider) are recognised as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis over the leasing period.

Financial leasing agreements
The Group leases certain tangible fixed assets. Leasing agreements of tangible fixed assets where the Group retains the economic risks and benefits associated with ownership, are classified as financial leases. At the start of the leasing period, financial leases are reported in the Consolidated Statement of Financial Position at the lower of the leased asset's fair value and the net present value of the minimum lease payments. Each leasing payment is apportioned between the liability and financial costs. The corresponding payment obligations, after deductions for financial costs, are included in the Consolidated Statement of Financial Position, in Non-current and current borrowings. The interest is recognised in the consolidated statement of comprehensive income over the lease term so that each accounting period is assigned an amount corresponding to a fixed interest rate for the liability in the respective period. Fixed assets that are held in accordance with financial leasing agreements are depreciated over the asset's useful life.

Financial income and expenses
Financial income consists of interest income from financial instruments measured at amortised cost and interest bearing financial assets classified as available-for sale, dividend income, value gains from financial assets measured at fair value in the net profit, as well as those gains from interest rate swaps. Dividend income is recognised when the right to receive the dividend has been established. Results from the sale of financial investments are recognised when the risks and benefits associated with ownership of the instruments have been transferred to the buyer and the Group no longer has control of the instrument. Financial expenses consist of interest expenses on loans, the interest related to discounted provisions, losses on financial assets measured at fair value via the Consolidated Statement of Comprehensive Income through profit or loss, impairment of financial assets, and losses on interest rate swaps.

All borrowing expenses are reported in the consolidated statement of comprehensive income using the effective interest method. Borrowing expenses are not reported in the consolidated statement of comprehensive income to the extent that they are directly attributable to the purchase, construction or production of assets that take considerable time to complete for the intended use or for sale. In such cases they are included in the cost of the assets.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Interest expenses include transaction fees for loans that are amortised over the loan period.

Current and deferred tax expense
The period's tax expense is made up of current tax and deferred tax. Tax is recognised in the result except when underlying transactions are reported in other comprehensive income, whereby the associated tax effect is reported in other comprehensive income.

Current tax is tax due for payment or receipt in respect of the financial year, using tax rates enacted or substantially enacted at the reporting date. Adjustment of current tax related to earlier periods is also included.

Deferred tax is calculated using the liability method on temporary differences between the carrying amounts and taxable values of assets and liabilities. Deferred tax is not recognised for temporary differences that arise on initial recognition of goodwill or the initial recognition of assets and liabilities in a transaction other than a business combination that do not affect either the accounting or taxable profit at the time of the transaction.

Deferred tax is not recognized for temporary differences that arise on investments in subsidiaries and associated companies which are not expected to be reversed in the foreseeable future.

The valuation of deferred tax provided is based on how carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets for tax-deductible temporary differences and loss carry forwards are recognised only to the extent it is likely that they will be utilised. The value of deferred tax assets is derecognised when it is no longer deemed likely that they can be utilised. Any additional income tax arising from a dividend is recognised at the same time as the dividend is recognised as a liability.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities, and when the deferred tax assets and tax liabilities are attributable to taxes charged by the same tax authority and relate to either the same tax entities or different tax entities, where there is an intention to settle the balances on a net basis.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial assets
Classification and measurement

The Group classifies its financial assets at initial recognition as: financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, available for sale or as derivatives designated as hedging instruments in an effective hedge. All financial assets are recognized initially at fair value plus transaction costs except for those recorded at fair value through profit and loss. The group currently does not have any financial assets classified as held to maturity, available for sale or fair value through profit or loss.

Loans and receivables

Loan receivables and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recorded at fair value and subsequently measured at amortised cost. The amortised cost is determined based on the effective interest calculated at the time of acquisition. Accounts receivable are recognised at the amount estimated to be received, i.e. with a deduction for doubtful receivables.

Cash and cash equivalents comprise cash and short term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits net of outstanding bank overdrafts.

Impairment of financial assets

At each reporting date, the company evaluates whether there is objective evidence that any financial asset or Group of assets may be impaired. Objective evidence constitutes observable events that have an adverse impact on the future cash flows of the financial asset such as overdue receivables or bankruptcy of counterparties. The recoverable amount of instruments measured at amorised cost such as loans and receivables is calculated as the present value of future cash flows discounted by the effective interest rate applicable on the initial recognition of the asset. Impairment is recognised as an expense in the Consolidated Statement of Comprehensive Income.

Derecognition
A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the rights to receive cash flows from the asset have been transferred .

Financial Liabilities
Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge. All financial liabilities are recognized initially at fair value and for loan, borrowings and payables net of transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method "EIR". Details of the category in which the Group's financial assets and liabilities are placed are given under Note 21 Financial assets and liabilities.

Derivatives and hedge accounting

The Group's derivative instruments have been acquired to hedge its interest, exchange rate, electricity and pulp price exposures. In order to fulfil the requirements on hedge accounting in accordance with IAS 39, there must be a clear hedge relationship. The Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents how it will assess the effectiveness of changes in the hedging instruments fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. For the purpose of hedge accounting, hedges are classified as: Fair value hedges, cash flow hedges or hedges of net investment in a foreign operation. The Group does not have fair value hedges or net investment hedging.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the hedging reserve. The gain or loss relating to the ineffective portion is charged immediately to the profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in the hedging reserve remains in equity and is recognised when the forecast transaction is recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recognised immediately in the profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions, interest rate swaps to hedge variable rate borrowings and forward commodity contracts for its exposure to volatility in electricity and pulp prices.

Offset of financial instruments
Financial assets and liabilities are offset and recognised with a net amount in the Consolidated Statement of Financial Position only when there is a legal right to offset the recognised amounts and an intention to balance the items with a net amount, or to simultaneously realise the asset and settle the liability. The amounts netted are not significant.

Tangible assets
Owned assets
Tangible assets are recognised in the Group at cost less accumulated depreciation and any impairment. The cost includes the purchase price and expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Examples of directly attributable expenses include costs relating to delivery and handling, installation, land registration certificates, consultancy services and legal services. Interest on borrowings directly attributable to the purchase, construction or production of assets that take considerable time to complete are capitalised.

The cost for self-constructed tangible assets include expenditure for materials, employee benefits and other manufacturing costs directly attributable to the tangible asset where applicable, as well as estimated expenses for dis-mantling and removing the asset and restoring the site or area where it is located. Tangible assets comprising parts with different useful lives are treated as separate components of tangible assets. The carrying value of a tangible asset is derecognised from the Consolidated Statement of Financial Position on scrapping or sale, or when no future economic benefits are expected from the use, scrapping or sale of the asset.

Gains or losses arising from the sale or scrapping of an asset constitute the difference between the sale price and the asset's carrying value, less direct sales expenses. Gains and losses are recognised as other operating income/expense. Accounting policies for the impairment of assets are shown below.

Leased assets
Assets leased through financial leasing agreements are recognised as tangible assets in the Consolidated Statement of Financial Position and initially valued at the lower of the fair value of the leased item and the present value of the minimum lease payments at the commencement of the agreement.

Obligations to pay future lease payments are recognised as current and non-current interest bearing liabilities.

Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be measured reliably. All other subsequent expenses are expensed in the period they arise. A subsequent expenditure is added to the cost if the expense relates to the replacement of identified components or parts thereof. Even in cases where new components are constructed, the expenditure is added to the cost. Any non-depreciated carrying amounts for replaced components, or parts of components, are scrapped and derecognised in connection with replacement. Repairs are expensed as they are incurred. At paper mills, maintenance shutdowns are carried out at regular intervals. The major maintenance measures that recur on these occasions are treated as a separate component. Depreciation is carried out over time up until the next maintenance shutdown, which normally occurs after 12–18 months.

Depreciation policies
Depreciation is charged on a straight line basis over the asset's estimated useful life. The Group applies the component approach, whereby the components' useful lives form the basis for depreciation. The following depreciation periods are used:

Industrial buildings	20 years
Office buildings	30–50 years
Land improvements	20 years
Machinery used for pulp and paper	10–30 years
Other machinery	10 years
Vehicles, equipment and components	2–5 years

The residual value and useful life of each asset is assessed annually.

Intangible assets

Goodwill
Goodwill is reported at cost less any accumulated impairment. Goodwill is allocated to cash generating units and tested for impairment annually (see accounting principle Impairment of tangible and intangible assets and participations in associated companies). Goodwill arising from the acquisition of associated companies is included in their carrying value.

Research and development
Munksjö pursues product and process development activities focusing mainly on meeting customer requirements in relation to product properties and adaptations. Activities are divided into a research phase and a development phase. Examples of expenditure included in the research phase are costs related to acquiring new knowledge, and costs relating to the evaluation of and search for alternative paper grades and production processes. Costs for the research phase are expensed continually in the Consolidated Statement of Comprehensive Income. Where research results or other knowledge are applied to achieve new or improved

processes, product development expenditure are recognized as an asset in the Consolidated Statement of Financial Position if the product or process is technically and commercially viable and the company has sufficient resources to complete development and subsequently use or sell the intangible asset. The carrying amount includes costs for materials, direct costs for salaries and indirect costs attributable to the asset. Other development expenses are recognised in the Consolidated Statement of Comprehensive Income as an expenseas they arise.

Software
Costs for the development and maintenance of software are expensed as incurred. Costs that are directly linked to the development of identifiable and unique software products controlled by the Group and likely to have economic benefits for more than one year are recognised as intangible assets.

Electricity certificates
Electricity certificates are awarded for production of electricity from renewable resources and are measured at the estimated fair value and recognised as accrued income. Corresponding income is recognised in operating profit/loss as a correction of electricity costs and the certificate is divested in the following month.

Emission rights
Munksjö has been allocated rights for the emission of carbon dioxide within the EU trading scheme. The allocation for the initial three-year period 2005–2007 exceeded the actual total emissions. The allocation for 2008–2012 also exceeded the emissions somewhat. The allocation for 2013–2020 shows a deficit based on current production estimates. Such deficit is partially reduced by inventory at the beginning of the period and partially through purchases of emission rights. When emission rights are received, the estimated surplus is recognised at fair value as accrued income, the surplus is continually valued at market value.

Amortisation

Amortisation is reported over the asset's estimated useful life.

Goodwill and other intangible assets with an indefinite useful life or that are not yet ready for use are tested for possible impairment annually and as soon as indications arise that the asset in question may have decreased in value. Intangible assets with a definite useful life are amortised from the point at which they are available for use.

The estimated useful lives for capitalised development expenditure and software is 3–7 years. The useful lives of assets are reassessed at least once a year.

Impairment of tangible and intangible assets

The value of tangible and intangible assets with definite useful lives are tested for impairment if there is an indicator that they may have suffered impairment. If a need for impairment is indicated, the recoverable amount of the asset is calculated . The recoverable amount for goodwill and other intangible assets with indefinite useful lives and intangible assets that are not yet ready for use is calculated annually.

When independent cash flows cannot be established for an individual asset, and its fair value less selling expenses cannot be used, assets are grouped at the lowest level at which largely independent cash flows can be identified – this is known as a cash generating unit.

Impairment is recognised when an asset's or cash generating unit's (Group of units') carrying value exceeds the recoverable amount. Impairment is recognised as an expense in the Consolidated Statement of Comprehensive Income. Impairment identified for a cash generating unit (Group of units) is applied first to goodwill. After this, a proportional impairment of all other assets included in the unit (Group of units) is implemented.

The recoverable amount is the higher of fair value less selling expenses and value in use. Upon calculating the value in use, future cash flows are discounted at a discount rate that takes into account the risk-free interest and the risk associated with the specific asset.

Reversal of impairment

The impairment of assets is reversed if there is an indication that it is no longer necessary, and there has been a change in the assumptions which formed the basis of the calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying value after reversal does not exceed the carrying value that the asset would have had, with a deduction for depreciation, if no impairment had been carried out.

Impairments of investments or loans held to maturity or loan receivables and accounts receivable recognised at amortised cost are reversed if a subsequent increase in the recoverable amount can be objectively attributed to an event that occurred after the impairment was implemented.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost for inventories is based on the first-in first-out principle (FIFO) and includes expenses arising upon acquisition of the inventories and their transport to their current location and condition. For manufactured goods and work in progress, cost includes a reasonable proportion of indirect expenses based on normal capacity. The net realisable value is the expected sale price less expected selling costs.

Earnings per share

Earnings per share is calculated by dividing the Group profit or loss attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.

Employee benefits

Pension commitments
Group companies operate various pension schemes. These schemes are generally funded through payments to insurance companies or trustee administered funds, where the payments are established based on periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. The distinguishing feature of defined benefit plans is that they define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The liability recognised in the Consolidated Statement of Financial Position with respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The current value of the defined benefit obligation is established by discounting estimated future cash flows using market yields on high quality corporate bonds issued in the same currency as the benefits will be paid in and with a term comparable with the pension liability. If there is no active market for such corporate bonds, the market rate for government bonds with a corresponding maturity is used instead.

The obligations for retirement and survivors' pension for professional employees in Sweden are insured through a policy with Alecta. Sufficient information is not available to use defined benefit accounting for this multi-employer plan therefore it is accounted for as if it is a defined contribution plan.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income for the year during the period in which they arise.

Past-service costs are recognised immediately in profit/loss for the year, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past-service costs are amortised on a straight-line basis over the vesting period. For defined contribution pension plans, the Group pays fees to publicly or privately managed pension insurance plans on a compulsory, contractual or voluntary basis. The Group has no other payment obligations once the fees are paid. The fees are reported as personnel costs when they fall due for payment. Prepaid fees are reported as an asset to the extent that cash repayment or reduction of future payments can benefit the Group.

Severance benefits
An expense for remuneration in connection with termination of employment for employees is recognised only if the company is demonstrably obliged in a formal detailed plan to terminate employment ahead of the normal point in time, with no realistic possibility of withdrawal. When remuneration is paid as an incentive for voluntary redundancy, an expense is recognised if it is likely that the offer will be accepted and the number of employees accepting the offer can be reliably estimated.

Provisions
A provision differs from other liabilities in that there is a degree of uncertainty regarding the timing of the payment or its size to settle the provision. A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimation of the amount can be made.

Provisions are made based on the best estimate of the amount required in order to settle the present obligation on the reporting date.

Guarantees
A provision is made for guarantees when the underlying products or services are sold. The provision is based on historical data regarding guarantees and a total appraisal of conceivable outcomes in relation to the probabilities with which those outcomes are associated.

Restructuring
A provision for restructuring is reported when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or announced. No provisions are made for future operating costs.

Contingent liabilities
A contingent liability is recognised when there is a possible obligation arising from past events and the existence of which is substantiated only by one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not likely that an outflow of resources will be required.

NOTE 2 Judgements and estimates

According to corporate management, the following assessments and estimates are critical to the amounts recognised in the accounts, and there is a risk that future events and new information affect the basis for these assessments and estimates:

Goodwill
Every year, Munksjö carries out impairment testing of goodwill. The goodwill is divided among cash-generating units corresponding to the Group's operating segments.

The value in use of the cash-generating units is calculated based on the existing plans of the Group. The plans are based on market assumptions and comprise expected future cash flows for the existing operations, which are discounted with the relevant weighted average cost of capital (WACC). No impairment has been determined. The Group's recognised goodwill as of December 31, 2013 amounted to MEUR 226.6, see Note 14.

Environment
Supported by environmental legislation in various countries, the authorities bring up issues regarding soil explorations and potential remediation in case of discontinued operations. The responsibility for any remediation is decided on a case-by-case basis, often aided by reasonability assessments.

The provisions for environmental costs connected to discontinued operations are based on assessments regarding future restoration costs. In addition, it is assumed that there will be a responsibility for environmental costs that cannot be quantified at present, but which may entail costs in the future.

Pensions
The costs for and values of the pension commitments related to defined benefit pension plans are based on actuarial calculations based on assumptions made regarding discount rates, expected return on plan assets, future salary increases, inflation, and demographic distribution. Changes in these assumptions will result in volatility in the pension obligation.

The net of the Group's pension commitments and the value of the plan assets amounted to MEUR 45.9 as of December 31, 2013, see Note 9.

Taxes
Deferred tax is calculated on temporary differences between the carrying amounts and taxable values of assets and liabilities. Assessments and estimates are made to determine the value of various assets and liabilities and regarding the future taxable profit in case the future recovery of deferred tax assets would depend upon this. As of 31 December, deferred tax assets of MEUR 53.3, were recognised, see Note 12.

NOTE 3 Business combinations

On 28 August 2012 Munksjö Oyj (Munksjö), Ahlstrom Corporation, Munksjö AB and Munksjö Luxembourg Holding S.à r.l. (EQT) entered into a business combination agreement for the purpose of combining the business operations of Ahlstrom Corporation's Label and Processing business in Europe (LP Europe), Ahlstrom Corporation's Label and Processing business in Brazil (Coated Specialties) and Munksjö AB into Munksjö (Combination or Combination Agreement).

The combination was completed in two phases. The first phase of the combination, in which LP Europe was combined with Munksjö AB, was registered on 27 May 2013 through the following transactions as set out below:

- EQT as a majority owner of Munksjö AB, together with certain minority shareholders of Munksjö AB, contributed all their respective Munksjö AB shares to Munksjö in exchange for newly issued shares of Munksjö (Munksjö AB Acquisition).
- Ahlstrom has contributed all the assets and liabilities that belong to LP Europe to Munksjö through a partial demerger, whereby Ahlstrom's shareholders have received newly issued shares of Munksjö as contribution. The execution of the LP Europe Demerger has been registered with the Finnish Trade Register on 27 May 2013.
- Ahlstrom, EQT III Limited through Munksjö Luxembourg Holding S.à r.l. and certain institutional investors have made an equity investment in Munksjö in the amount of EUR 128.5 million in a directed share issue of Munksjö.
- Munksjö's shares have been listed on the official list of the Helsinki Stock Exchange on 7 June 2013.

The completion of the combination agreement was subject to the receipt of the approval from the European Commission's competition authority. Ahlstrom Corporation and Munksjö AB provided certain commitments in order to enable the European Commission to declare the Combination compatible with the common market and EEA Agreement. The main commitment was that Ahlstrom's pre-impregnated decor and abrasive business in Osnabrück, Germany be sold and that the mill be separated to such an extent that Ahlstrom's remaining business in Osnabrück and the operations to be sold can operate independently of each other. The total estimated costs to complete the separation are expected to be EUR 13.5 million shall be borne by Munksjö and have been recorded in the 2013 income statement. The intangible assets and some consignment inventories of the Silco business at Osnabrück have been transferred to Munksjö for a consideration of EUR 1.0 million.

In the second phase, which was completed on 2 December, Coated Specialties was combined into Munksjö through the execution of the Coated Specialties demerger, in which Ahlstrom contributed all the assets and liabilities that belong to Coated Specialties to Munksjö through a partial demerger, whereby Ahlstrom's shareholders received 12,291,991 newly issued shares of Munksjö as consideration.

Legally through the Munksjö AB acquisition, Munksjö acquired Munksjö AB by issuing new shares for the shares of Munksjö AB through a share exchange. After this share exchange, Munksjö acquired LP Europe by means of the LP Europe Demerger. Munksjö AB was identified as the acquirer for accounting purposes (IFRS acquiring criteria). Accordingly, in Munksjö's consolidated financial statements, the share exchange between Munksjö and the shareholders of Munksjö AB is accounted for as a reorganisation of Munksjö AB and Munksjö AB's net assets are recorded at predecessor carrying amounts with the historical comparatives of Munksjö AB presented for all periods. Accordingly, LP Europe, as the other party to the Combination is accounted for using the acquisition method with Munksjö AB as the acquirer for accounting purposes.

Munksjö Oyj as the receiving entity in the demerger issued 11,597,326 new shares to Ahlstrom's shareholders as demerger consideration. As there was no quoted market price for the shares at the time of the completion of the combination, the fair value was derived through a valuation mechanism agreed by the parties to the combination for their respective businesses. The arm's length valuation of the combining businesses was determined based on their relative EBITDA contribution as well as EBITDA multiples of relevant peers as adjusted for net debt and pension liabilities. The fair value of the LP Europe business amounted to MEUR 106.

The following table summarizes the consideration transferred for LP Europe, the provisional fair value of assets acquired and liabilities assumed at the acquisition date. Acquisition related costs of MEUR 7.5 have been charged to other external costs in the table consolidated income statement for the period ended 31 December 2012 and MEUR 26.4 for the period ended 31 December 2013. This includes the MEUR 13.5 costs related to Osnabrück commitments described above.

	MEUR
Total consideration transferred	**106.0**
Provisionally recognised amounts of identifiable assets acquired and liabilities assumed	
Tangible assets	183.1
Other intangible assets	26.7
Equity accounted investments	12.0
Deferred tax assets	10.8
Inventories	53.9
Accounts receivable	54.2
Other current assets	5.5
Cash and cash equivalents	9.1
Non-current borrowings	–2.5
Pensions obligations	–11.7
Deferred tax liabilities	–42.1
Current borrowings	–155.0
Accounts payable	–85.3
Accrued expenses and deferred income	–12.4
Total identifiable net assets	**46.3**
Goodwill	**59.7**

The fair value of trade and other receivables is EUR 65.5 million and includes trade receivables with a fair value of EUR 56.7 million. The gross contractual amount for trade receivables due is EUR 57.5 million of which EUR 0.8 million is expected to be uncollectible.

On 2 December 2013 Coated Specialties was combined into Munksjö through the execution of the Coated Specialties demerger, in which Ahlstrom contributed all the assets and liabilities that belong to Coated Specialties to Munksjö through a partial demerger, whereby Ahlstrom's shareholders received 12,291,991 newly issued shares of Munksjö as consideration. The fair value of the consideration amounted to EUR 66.7 million based on Munksjö's share price of EUR 5.43 which corresponds to the quoted opening price of Munksjö's share price as of 2 December 2013 on the Helsinki Stock Exchange. The following table summarizes the preliminary consideration transferred for Coated Specialties, the provisional fair value of assets acquired and liabilities assumed as at 2 December 2013.

	MEUR
Preliminary consideration transferred	**66.7**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Tangible assets	48.4
Other intangible assets	21.3
Inventories	6.6
Accounts receivable	16.1
Other current assets	6.9
Net deferred tax liabilities	–14.8
Provisions	–5.5
Accounts payable	–13.7
Accrued expenses and deferred income	–3.9
Other current liabilities and provisions	–6.0
Total identifiable net assets	**55.4**
Goodwill	**11.3**

The total goodwill resulting from phase I and phase II of the business combination amounts to EUR 71.0 million and represents the acquired workforce and synergies expected to be realised from combining the operations of Munksjö L.P Europe and Coated Specialities, mainly relating to procurement, production efficiency, economies of scale and improved overall performance and efficiency within the organisation. As part of the synergy plan, Munksjö and Ahlstrom will establish joint sourcing activities. The goodwill is not expected to be deductible for tax purposes.

The revenue and operating result included in the consolidated income statement from 27 May 2013 to 31 December 2013 contributed by LP Europe was EUR 257.0 million and EUR –15.3 million respectively. The revenue and operating result included in the consolidated income statement from 2 December to 31 December 2013 contributed by Coated Specialities was EUR 5.9 million and EUR 0.1 million respectively.

Had LP Europe and Coated Specialities been consolidated from 1 January 2013, the consolidated income statement for the year ended 31 December 2013 would show pro forma revenue of EUR 1,120.3 million and pro forma operating result of EUR –11.3 million.

ArjoWiggins Acquisition 2011

ArjoWiggins' Decor paper, abrasive backings, thin print paper and fine art paper activities were acquired on March 10, 2011. The acquisition included 100% of participation at two of ArjoWiggins' production sites in France (ArjoWiggins Arches SAS) and Germany (ArjoWiggins Deutschland GmbH), some patents and stock in the US and China.

The reason for the acquisition was to create a complete specialty paper range for Munksjö's customers. The acquisition of ArjoWiggins' activities complemented Munksjö's product range and strengthened Munksjö's already strong position in the decor paper segment. Furthermore, the acquisition has lead to cost reductions through synergy effects. The goodwill from the acquisition is mainly attributable to the synergy effects expected through the merger of Munksjö and ArjoWiggins' activities and has been allocated to the Industrial Applications business area in its entirety. There is also a value associated with the extra employees as a result of the acquisition, which has not been reported as a separate item.

The goodwill is not deductible for income tax purposes. The total purchase price was MEUR 76.5 and was paid for in cash. The total fair value of assets acquired amounted to MEUR 61.0 resulting in a goodwill value of MEUR 15.5 being recognized. Acquisition-related costs in 2011 amounted to MEUR 3.1 and are included in other external costs. The fair value of accounts receivable was MEUR 17.1. The gross amount of accounts receivable amounted to MEUR 17.9, of which MEUR 0.8 was expected to be doubtful. The acquired units in the period from the acquisition date of March 10, 2011 to December 31, 2011 contributed net sales included in the Group's consolidated statement of comprehensive income of MEUR 193.1. Further-more, they also contributed with an operating loss of MEUR 0.4 for the same period. If the acquisition had taken place on January 1, 2011 then the Group's consolidated statement of comprehensive income would have shown further net sales of MEUR 41.7, EBITDA of MEUR 2.1 and operating profit of MEUR 0.8 in 2011.

NOTE 4 Segment information

The Munksjö Group is an international specialty paper company with a unique product offering for a large number of industrial applications and consumer-driven products. Founded in 1862, Munksjö is among the leading producers in the world of high-value added papers within attractive market segments such as Decor paper, Release Liners, Electrotechnical paper, Abrasive backings and Interleaving paper for steel. Given Munksjö's global presence and way of integrating with its customers' operations, the company forms a global service organisation with approximately 3,000 employees. Production facilities are located in France, Sweden, Germany, Italy, Spain, Brazil and China.

Munksjö is organised in four business areas and five group functions. The business areas are Decor, Release Liners, Industrial Applications and Graphics and Packaging. The five group functions include Finance, Human Resources and Communications, Strategic Development, Legal and Sales Offices. The Management Team consists of the CEO, functional managers and managers of the various business areas. The members of the Management Team are nominated by the CEO and appointed by the Board of Directors. The CEO assisted by the Management Team is the chief operating decision maker. Management has determined the operating segments based on the information reviewed by the CEO for the purposes of allocating resource and assessing performance. As a result of the business combination described in the Business Combinations note the previously reported business segments have been restated to reflect the new management structure. Decor and Industrial Applications remain unchanged, however Specialty pulp which for Munksjö AB was reported separately is now reported as part of Release Liners. The principal markets in which they operate are described below.

Financial expenses, financial income, and income tax are dealt with at Group level.

Income and expenses that have been reported to corporate management are valued in the same way as in external financial reporting. Assets and liabilities reported to corporate management are valued in the same way as in external financial reporting.

Inter-segment sales are made at market prices.

Business Area Decor

The products of Decor business area include Decor Paper and Pharmaceutical Leaflet Paper. Decor Paper is used in furniture, kitchen laminate, flooring and interior/exterior architecture. Pharmaceutical leaflet papers are thin, light-weight papers used by the pharmaceutical and cosmetics industries.

Business Area Release Liners

The products of Release Liners business area include Release Papers, Coated Specialties and Pulp. Release Papers are used as a carrier of different pressure sensitive adhesives labels and materials, which are mainly used in areas of, inter alia, retail and pricing labelling, for office labelling, and a broad range of self-adhesive tapes and materials for graphic or industrial applications. The business area incorporates Specialty pulp which previously was reported as a separate segment and also includes the Brazilian operation, Coated Specialties, which will serve the South American market with self-adhesive products and flexible packaging.

Business Area Industrial Applications

The products of Industrial Applications include specialty papers for industrial use. Examples of products include Abrasive Backings for the production of coated abrasive products to be used to sand or polish materials in many industrial sectors such as automotive, furniture, wood, metal and building/construction industries, Electrotechnical Paper for insulation of transformers, bushings and cables, Spantex® balancing foils for veneer to be used in wood-based panels, Thin Paper for protection in the stainless steel, aluminium and glass industries and Fine Art Paper used for, inter alia, watercolour painting and digital printing.

Business Area Graphics and Packaging

The products of Graphics and Packaging include Flexible Packaging Paper, Metallizing Paper and Graphics & Industrial Paper. Flexible Packaging Paper is used in manufacturing of packaging, mainly in the food industry. Metallizing Paper is mainly used in labels for, inter alia, beverages, primarily beer and other alcoholic drinks and in tobacco package inner liner. Graphics & Industrial Papers refer mainly to uncoated papers for repositionable notes, thermal base paper, interleaving paper, envelope windows and other graphic papers.

MEUR 2013	Decor	Release Liner	Industrial Applications	Graphic and Packaging	Other and eliminations	Group
Net sales, external	367.4	241.4	151.7	102.4	0.4	863.3
Net sales, internal	0.8	7.7	6.3	–	–14.8	0.0
Net sales	**368.2**	**249.1**	**158.0**	**102.4**	**–14.4**	**863.3**
Operating profit	**14.5**	**–2.5**	**7.3**	**–12.6**	**–40.1**	**–33.4**
Net financial expense						–22.9
Tax						–1.1
Profit/loss for the year						**–57.4**
Other information						
Capital expenditure	4.5	7.5	5.7	1.9	3.0	22.6
Depreciation and amortisation	11.8	15.3	7.5	3.6	1.1	39.3
Average number of employees	888	465	556	262	45	2 216

MEUR 2012	Decor	Release Liners	Industrial Applications	Graphics and Packaging	Other and eliminations	Group
Net sales, external	367.6	93.5	146.0	–	0.0	607.1
Net sales, internal	0.8	4.7	2.2	–	–7.7	0.0
Net sales	**368.4**	**98.2**	**148.2**	**0.0**	**–7.7**	**607.1**
Operating profit	**19.1**	**–1.8**	**4.2**	**–**	**–14.1**	**7.4**
Net financial expense						–16.3
Tax						–1.6
Profit/loss for the year						**–10.5**
Other information						
Capital expenditure	4.7	3.3	5.9	–	0.9	14.8
Depreciation and amortisation	10.7	6.7	7.5	–	0.5	25.4
Average number of employees	911	169	568	–	31	1 679

MEUR 2011	Decor	Release Liners	Industrial Applications	Graphics and Packaging	Other and eliminations	Group
Net sales, external	354.6	101.0	148.4	–	0.0	604.0
Net sales, internal	0.2	0.6	2.0	–	–2.8	0.0
Net sales	**354.8**	**101.6**	**150.4**	**–**	**–2.8**	**604.0**
Operating profit	15.0	5.4	2.8	–	–12.6	**10.5**
Net financial expense						–11.3
Tax						3.9
Profit/loss for the year						**3.1**
Other information						
Capital expenditure	6.2	6.2	4.9	–	1.4	18.7
Depreciation and amortisation	9.4	6.3	6.8	–	0.2	22.7
Average number of employees	870	170	570	–	25	1 635

Net sales per market MEUR	2013	2012	2011
Sweden	22.5	23.0	29.0
Germany	152.6	123.1	128.9
Rest of the European Union	416.2	235.7	221.2
Rest of Europe	68.6	36.4	40.3
Asia	89.5	72.6	77.5
Rest of the world	113.9	116.3	107.1
Group total	**863.3**	**607.1**	**604.0**

Net sales in the table above has been divided based on customers' geographic location.

Operating capital per country MEUR	2013	2012	2011
Sweden	131.2	124.5	137.5
Germany	188.1	201.0	214.2
Spain	43.7	46.2	50.8
France	156.8	42.6	53.2
Italy	111.6	–	–
Brazil	70.0	–	–
Other	–5.8	–1.3	–1.1
Group total	**695.5**	**413.0**	**454.6**

Tangible and intangible fixed assets per country MEUR	2013	2012	2011
Sweden	130.7	138.1	135.7
Germany	190.3	195.7	200.9
Spain	33.9	34.2	35.5
France	139.4	–	–
Italy	74.5	–	–
Brazil	159.9	28.7	34.0
Other	1.9	6.3	2.4
Group total	**730.5**	**402.9**	**408.4**

NOTE 5 Other external costs

Group, MEUR	2013	2012	2011
Delivery costs	–39.5	–23.9	–21.3
Energy costs	–73.4	–41.0	–42.3
Repair, maintenance and development costs	–33.7	–21.9	–22.8
Other production costs	–32.8	–23.5	–24.5
Leasing and rental costs	–5.8	–2.3	–2.5
Provision for restructuring	–8.4	0.0	–2.7
Provision for environmental costs	–5.2	–0.3	0.0
Osnabrück commitments (note 3)	–13.5	–	–
Business combination transaction costs related (note 3)	–13.4	–7.5	0.0
Other	–29.8	–22.0	–25.1
Other external costs	**–255.5**	**–142.4**	**–141.2**

NOTE 6 Remuneration to auditors

MEUR	2013	2012	2011
Ernst & Young			
Audit fees	0.3	0.6	0.7
Audit-related fees	0.3	0.2	0.1
Tax service fees	0.0	0.0	0.0
Other fees	0.0	0.0	0.2
Total	**0.6**	**0.8**	**1.0**

MEUR	2013	2012	2011
PriceWaterhouseCoopers			
Audit fees	0.4	–	–
Audit-related fees	0.1	–	–
Tax service fees	0.9	–	–
Other fees	1.0	–	–
Total	**2.4**	**–**	**–**

NOTE 7 Employees

	2013		2012		2011	
	Average number of employees	Men	Average number of employees	Men	Average number of employees	Men
France	812	86%	468	94%	419	82%
Sweden	562	83%	572	83%	586	83%
Germany	458	85%	451	88%	434	89%
Italy	170	79%	7	43%	6	43%
Brazil	19	95%	–	–	–	–
Spain	162	88%	162	91%	161	89%
Other	33	66%	19	63%	29	72%
Average number of employees	**2 216**		**1 679**		**1 635**	

Board and senior executives	Munksjö Oyj 27 May to 31 Dec 2013	Munksjö AB 1 Jan to 26 May 2013	2012	2011
Board members	6	8	8	8
Women %	33%	25%	25%	25%
Men %	67%	75%	75%	75%
CEO and other senior executives	10	12	12	14
Women %	20%	17%	17%	14%
Men %	80%	83%	83%	86%

Salaries, other fees and social security fees, MEUR

2013	Board and CEO	Bonus to CEO	Other employees
Board and CEO	0.7	0.4	
France			48.0
Sweden			29.6
Germany			27.7
Spain			8.7
Italy			8.6
Brazil			0.3
Other			1.9
Salaries and other fees	**0.7**	**0.4**	**124.8**
Total salaries and other fees			125.9
Social security fees			33.9
Other personnel costs			3.8
			163.6
Of which are pension fees for CEO			0.2
Of which are pension fees for other employees			8.9

Board of Directors, CEO and other senior executives – see Note 8.

2012	Board and CEO	Bonus to CEO	Other employees
Board and CEO	0.6	0.1	
France			20.2
Sweden			27.7
Germany			26.4
Spain			8.3
Italy			0.7
Other			0.3
Salaries and other fees	**0.6**	**0.1**	**83.6**
Total salaries and other fees			84.3
Social security fees			31.1
Other personnel costs			0.1
			115.5
Of which are pension fees for CEO			0.1
Of which are pension fees for other employees			5.2

2011	Board and CEO	Bonus to CEO	Other employees
Board and CEO	0.9	0.1	
France			18.5
Sweden			26.6
Germany			25.2
Spain			8.0
Italy			0.4
Other			1.4
Salaries and other fees	**0.9**	**0.1**	**80.2**
Total salaries and other fees			81.2
Social security fees			28.9
Other personnel costs			0.1
			110.2
Of which are pension fees for CEO			0.1
Of which are pension fees for other employees			5.0

NOTE 8 Remuneration of the Board of Directors and senior executives

Remuneration of the Board of Directors

As discussed in note 1, although legally Munksjö Oyj acquired Munksjö AB, for accounting purposes in accordance with IFRS Munksjö AB is the acquirer. Therefore the remuneration set out in this note for periods prior to 27 May 2013 reflect the costs of Munksjö AB. The remuneration of the board post 27 May represents the remuneration of the Board of Munksjö Oyj.

According to resolutions made at the 2012 Annual General Meeting of Munksjö AB, an annual fee of SEK 550 000 will be paid to the Chairman of the Board, and annual fees of SEK 275 000 will be paid to the other Board Members appointed by the Annual General Meeting, who are not employed by the company. The chairman of the audit committee will receive SEK 75 000 and other members will receive SEK 50 000. The chairman of the remuneration committee will receive SEK 50 000 and other members will receive SEK 25 000.

Munksjö AB

Annual remuneration for period KSEK	1 Jan to 26 May 2013	2012	2011
Fredrik Cappelen, Chairman	78	600	600
Ingvar Petersson	46	350	350
Richard Chindt	42	325	325
Jan Åström, CEO	–	–	–
Caspar Callerström	–	–	–
Elisabet Salander Björklund	39	300	250

According to resolutions made at the extra shareholder meeting of Munksjö Oyj on May 2013, an annual fee of EUR 70 000 will be paid to the Chairman of the Board, and annual fees of EUR 35 000 will be paid to the other Board Members appointed by the Annual General Meeting, who are not employed by the company. The chairman of the audit committee will receive EUR 9 000 and other members will receive EUR 6 000. The chairman of the remuneration committee will receive EUR 6 000 and other members will receive EUR 3 000.

Munksjö Oyj

Annual remuneration for period[1)] KEUR	27 May to 31 December 2013
Peter Seligson, Chairman	46
Fredrik Cappelen	24
Elisabet Salander Björklund	26
Sebastian Bondestam	24
Hannele Jakosuo-Jansson	22
Jarkko Murtoaro[2)]	–

[1)] In addition the Nomination board have been compensated by EUR 6 000 for the chairman and EUR 3 000 for the board members. The nomination board members are Caspar Callerström (chairman), Peter Seligson, Fredrik Cappelen, Thomas Ahlström and Timo Ritakallio. Compensation to Peter Seligson and Fredrik Cappelen are included in the figures above.
[2)] Jarkko Murtoaro has renounced his fee.

Remuneration guidelines

The CEO and other senior executives will be offered a fixed salary (base salary) and, in some cases, variable remuneration and benefits in kind. The total remuneration shall correspond to market practice, be competitive, and related to the executives responsibilities and authority.

Application of the remuneration guidelines

The Board of Directors decides on the remuneration of the CEO based on a proposal by the Remuneration Committee and on the remuneration of the other senior executives based on a proposal by the CEO, which is reviewed by the Remuneration Committee.

Senior Executives

Senior executives refer to the CEO, who is also president of the Group, the managers of the various business areas and the functional staff managers.

Fixed and variable salary

Salaries and variable remuneration shall be fixed per calendar year. The CEO and other senior executives may be offered variable remuneration. Any variable remuneration shall be limited and in proportion to the fixed salary and be based on the financial objectives of the Group as well as individual targets. The final resolution on the payment of variable remuneration shall be passed by the Board of Directors after the approval and audit of the company's profit or loss. Any variable remuneration shall not be pensionable, unless otherwise stipulated in any applicable law or in the rules of a general pension plan, e.g. Sweden's ITP occupational pension plan.

Pensions

Pension arrangements for senior executives include customary occupational pensions and in some cases individually agreed arrangements, consisting of defined benefit and defined contribution plans. No early retirement has been agreed on between the company and the CEO.

Other benefits

To the extent that other benefits are paid, they consist of company cars, housing and health insurances.

Notice periods and severance pay

The CEO's employment agreement may be terminated by the company with a twelve (12) months' notice and by the CEO with a six (6) months' notice. If the company terminates the CEO agreement and the CEO has not taken up other employment by the end of the twelve months' notice period, the CEO is entitled to an additional severance pay of his monthly salary during six months, however not longer than until he has taken up other employment.

Remuneration and benefits for the CEO, KEUR	Year	Gross salary	Variable remuneration[1)]	Other benefits	Pension expenses	Total
Jan Åström as CEO of Munksjö Oyj	27 May to 31 Dec 2013	339	96	1	99	535
Jan Åström as CEO of Munksjö AB	1 Jan to 26 May 2013[2)]	205	330	1	65	601
Jan Åström as CEO of Munksjö AB	2012	437	181	1	155	773
Jan Åström as CEO of Munksjö AB	2011	409	52	0	144	605

[1)] Variable remuneration applies to operating year, payment the following year.
[2)] Salary paid in SEK and translated using the currency rate 8,65.

Remuneration and benefits for other senior executives, KEUR	Year	Gross salary	Variable remuneration[1)]	Other benefits	Pension expenses	Total
Other senior executives of Munksjö Oyj	27 May to 31 Dec 2013	1 029	274	84	268	1 655
Other senior executives of Munksjö AB	1 Jan to 26 May 2013	794	563	63	203	1 623
Other senior executives of Munksjö AB	2012	1 765	555	105	554	2 979
Other senior executives of Munksjö AB	2011	1 832	324	124	373	2 654

[1)] Variable remuneration applies to operating year, payment the following year.

NOTE 9 Provisions for pensions and similar obligations

Munksjö has defined benefit pension plans for salaried employees in Sweden (the ITP plan), Germany, France, Italy and the United States of America ("USA"). The most significant defined benefit plans are based on length of service and the remuneration paid to the employees at or close to their retirement. The calculations are made according to the projected unit credit method with the assumptions set out below. These plans are mainly unfunded except for the USA which is partially funded.

Some of the pension obligations for salaried employees in Sweden are recognized in the Statement of comprehensive income according to the FPG/PRI system. Munksjö also has defined contribution pension plans. A certain part of the pension obligations for salaried employees in Sweden are insured through a number of insurance policies. The insurance companies cannot provide sufficient data to recognise the ITP plan as a defined benefit plan, and it is therefore recognised as a defined contribution plan. This year's pension plan contributions amounted to MEUR 0.5 (0.5, 0.5). The main insurance provider is Alecta and at year-end, their surplus, in the form of its collective funding ratio, amounted to 148% (129%, 113%). The collective funding ratio is the market value of the manager's assets as a percentage of insurance commitments.

The plans are mainly unfunded with the exception of the USA and the newly acquired legal entity in France, see note 3. which have plan assets. The funding policy is to pay the minimum contribution required under law. The minimum required contribution is expected to fully fund the liability over a seven year period. The plan seeks a return on investment consistent with levels of investment risk that are prudent and reasonable given medium- to long-term capital market conditions and the investment objectives of the Plan. The USA assets are invested in the following asset classes with the allocation to each class based on the current assessment plan's committee and investment advisors.

Asset Class	Policy Minimum Allocation %	Policy Maximum Allocation %
Cash or Money Market	0	50
Bond Funds (without Balanced)	20	50
U.S. Large Cap Equity	20	50
U.S. Small / Mid Cap Equity	0	20
International Funds	0	50
Balanced Funds	10	50
Commodity Funds/Alternatives	0	30

The tables below show a breakdown of pension costs (net) as recognised in the consolidated statement of comprehensive income, the difference between the commitments and the plan assets and the amounts recognised in the Statement of comprehensive income for each plan:

The amounts recognized in the balance sheet

MEUR	2013	2012	2011
Present value of unfunded defined benefit obligations	33.0	28.2	24.9
Present value of funded or partially funded defined benefit obligations	29.0	14.4	12.3
Fair value of plan assets	–16.1	–6.8	–6.3
Pension liabilities for the period	**45.9**	**35.7**	**31.0**

Amounts recognised in the consolidated statement of comprehensive income

MEUR	2013	2012	2011
Service costs for the period	2.7	1.7	1.4
Interest expense and income	1.5	1.3	1.2
Pension costs recognised in net profit/(loss) for the period	**4.2**	**3.0**	**2.6**
Actuarial gains (-) and losses (+) recognised in other comprehensive income	–1.8	3.8	1.3
Total pension costs recognised in total comprehensive income	**2.4**	**6.8**	**3.9**

Changes to defined benefit obligations are stated in the table below:

MEUR	2013	2012	2011
At January 1	42.6	37.2	26.0
Interest costs	1.9	1.8	1.6
Current year service costs	2.7	1.7	1.4
Benefits paid	–3.6	–2.3	–2.4
Business combinations	20.5	0.0	9.2
Settlements	–0.3	0.0	0.0
Actuarial gains and losses for obligations	–1.3	3.9	1.0
Exchange rate translation	–0.6	0.2	0.4
At December 31	**61.9**	**42.5**	**37.2**

The fair value of plan assets is shown below:

MEUR	2013	2012	2011
At January 1	6.8	6.2	5.7
Interest income	0.4	0.5	0.4
Employer contributions	0.6	0.6	0.4
Business combinations	9.2	0.0	0.4
Benefits paid	–1.2	–0.5	–0.4
Actuarial gains and losses	0.5	0.1	–0.4
Exchange rate translation	–0.3	–0.1	0.1
At December 31	**16.0**	**6.8**	**6.2**

The major categories of plan assets are as follows:

MEUR	2013	2012	2011
Shares	4.2	4.1	3.7
Bonds	10.8	2.4	2.3
Endowment insurance	1.0	0.3	0.2
Total	**16.0**	**6.8**	**6.2**

The table below shows the key actuarial assumptions used to calculate the defined-benefit plan obligations:

Discount rate:	2013	2012	2011
Sweden	3.75%	3.50%	3.75%
Germany	3.00% to 3.20%	3.20% to 3.10%	5.30% to 5.40%
France	3.00% to 3.30%	2.80%	4.65%
Italy	3.25%		
USA	4.50%	3.75%	4.75%

Expected future salary increases:	2013	2012	2011
Sweden	3.00%	3.00%	3.00%
Germany	2.50%	2.50%	2.50%
France	3.00% to 3.50%	3.50%	3.50%
Italy	n/a	–	–
USA	n/a	3.75%	3.75%

Expected future pension increases:	2013	2012	2011
Sweden	2.00%	1.75%	2.00%
Germany	2.00%	2.00%	2.00%
France	2.00%	2.00%	2.00%
Italy	2.00%	–	–
USA	3.00%	3.00%	3.00%

Sensitivity Analysis	Change in assumption, %	Increase in assumption, MEUR	Decrease in assumption, MEUR
Discount rate	0,5%	11,8	12,0
Salary growth rate	0,5%	2,0	2,0
Pension growth rate	0,5%	2,5	2,4
	Year	MEUR	MEUR
Life expectancy	1	1,9	1,2

NOTE 10 Depreciation and amortisation

MEUR	2013	2012	2011
Machinery and equipment	–30.3	–20.6	–19.0
Industrial buildings	–5.8	–2.8	–2.1
Other intangible fixed assets	–3.2	–2.0	–1.6
Total depreciation and amortisation	**–39.3**	**–25.4**	**–22.7**

NOTE 11 Net financial items

MEUR	2013	2012	2011
Interest income	0.3	1.7	1.8
Exchange rate gains	0.7	17.5	21.2
Financial income	**1.0**	**19.2**	**23.0**
Interest expense[1]	–12.7	–13.7	–12.6
Unwinding of discount on provisions	–1.6	–1.8	–1.1
Exchange rate losses	–4.4	–19.4	–19.2
Other financial costs[2]	–5.2	–0.6	–1.4
Financial costs	**–23.9**	**–35.5**	**–34.3**
Net financial expense	**–22.9**	**–16.3**	**–11.3**

[1] This includes losses from realised interest derivatives of MEUR –0.2 MEUR –3.7 and MEUR –3.3 respectively.
[2] Other financial costs include the amortisation of capitalised bank fees amounting to MEUR 4.0.

NOTE 12 Taxes

MEUR	2013	2012	2011
Profit/loss before taxes	**–56.3**	**8.9**	**–0.8**
Current tax income/expense			
Current tax on profits for the year	–7.8	–1.7	–1.1
Adjustments in respect of prior years,	–4.5	–0.1	–0.3
	–12.3	**–1.8**	**–1.4**
Deferred tax:			
Relating to recognition and use of tax loss carry forwards	6.3	–2.2	1.4
Relating to recognition and reversal of temporary differences	4.9	2.4	3.9
	11.2	**0.2**	**5.3**
Total tax expense	**–1.1**	**–1.6**	**3.9**

Reconciliation of effective tax rate

MEUR	2013	2012	2011
Profit/loss before taxes	**–56.3**	**8.9**	**–0.8**
Swedish income tax	–	2.3	0.1
Finnish income tax	13.8	–	–
Effect of other tax rates for foreign subsidaries	–4.5	–0.2	0.3
Effect of change in deferred tax rate[1]	–	–0.5	–
Taxes from prior years	2.3	–	0.3
Tax losses carry forward not capitalised	–3.8	–0.1	–1.4
Non–deductable expenses and tax exempt income	–8.9	–3.1	4.5
Tax in consolidated statement of comprehensive income	**–1.1**	**–1.6**	**3.9**

[1] The Swedish tax rate decreased from 26.3% to 22.0% from 1 January 2013. The change in the Finnish tax rate from 24.5% to 20% from 1 January 2014 had an immaterial impact.

MEUR	Opening balance 2013	Translation Difference	Business combination	Recognised in profit/loss	Recognised in other compre-hensive income	Closing balance 2013
Receivables	–0.1	0.0	–	–0.1	–	–0.2
Utilisation of loss carry forwards	–27.6	0.6	–5.0	–6.3	–	–38.3
Untaxed reserves	10.1	–0.3	7.1	–0.6	–	16.3
Tangible asset	20.8	–0.2	15.2	–1.8	–	34.0
Other	–3.4	–0.1	24.3	–2.4	–0.2	18.2
Net deferred tax asset	**–0.2**	**0.0**	**41.6**	**–11.2**	**–0.2**	**30.0**
Liabilities						83.3
Assets						–53.3
						30.0

MEUR	Opening balance 2012	Translation differences	Business Combinations	Recognised in profit/loss	Recognised in other compre-hensive income	Closing balance 2012
Receivables	–2.0	–0.1	–	–	2.0	–0.1
Utilisation of loss carry forwards	–30.0	–0.7	–	3.1	–	–27.6
Untaxed reserves	12.2	0.5	–	–2.6	–	10.1
Tangible asset	20.7	0.3	–	–0.2	–	20.8
Other	–2.3	0.0	–	0.1	–1.1	–3.4
Net deferred tax asset	**–1.5**	**0.1**	**–**	**0.3**	**0.8**	**–0.2**
Liabilities						27.6
Assets						–27.8
						–0.2

MEUR	Opening balance 2011	Translation differences	Business Combinations	Recognised in profit/loss	Recognised in other compre-hensive income	Closing balance 2011
Receivables	–0.1	0.0	–1.4	–0.4	–	–2.0
Utilisation of loss carry forwards	–28.3	–0.2	0.1	–1.6	–	–30.0
Untaxed reserves	14.1	0.1	6.1	–8.1	–	12.2
Tangible asset	19.4	0.1	1.2	–0.1	–	20.7
Other	–3.6	0.0	–3.2	4.2	0.2	–2.3
Net deferred tax asset	**1.6**	**0.0**	**2.8**	**–6.0**	**0.2**	**–1.5**
Liabilities						34.6
Assets						–36.0
						–1.5

During 2013, the German tax authorities initiated a tax audit of Munksjö Germany Holding GmbH covering the years 2005 to 2010. The authorities have identified a number of potential issues and the Group is currently co-operating in order to reach a settlement. An amount of MEUR 2 has been paid to the authorities and a further MEUR 5 has been provided at 31 December for any further potential costs. The outcome is still uncertain therefore the amount provided is subject to change.

The Group has loss carry forwards of MEUR 163.4 (122.5; 104.7), which are available for offsetting against future taxable profits in the companies that incurred the losses. All loss carry forwards have a perpetual term apart from in Spain, where the limit is 15 years and Brazil where some losses are due to expire between 2 and 5 years. In Spain the loss carry forward amounts to MEUR 26.8 (26.8; 32.9) and in Brazil MEUR 0.2.

NOTE 13 Earnings per share

The earnings per share are calculated by dividing the profit/loss attributable to the shareholders of the parent company by the weighted average number of outstanding shares during the period.

The table below shows the values used in calculating earnings per share.

	2013	2012	2011
Earnings attributable to the parent company's shareholders, MEUR	–57.7	–11.0	2.9
Weighted average number of out-standing shares	29 228 454	12 306 807	12 306 807
Earnings per share, EUR	**–2.0**	**–0.9**	**0.2**

NOTE 14 Intangible fixed assets

2013, MEUR	Total	Goodwill	Intangibles
Accumulated acquisition value			
Opening	170.6	155.8	14.8
Business combinations	122.3	71.0	51.3
Additions	1.6	–	1.6
Reclassification	0.5	–	0.5
Exchange differences	–1.7	–0.2	–1.5
Closing	**293.3**	**226.6**	**66.7**
Accumulated amortisation			
Opening	4.2	–	4.2
Business combinations	3.2	–	3.2
Amortisation	3.2	–	3.2
Exchange differences	–0.2	–	–0.2
Closing	**10.4**	**–**	**10.4**
Net book value at year end	**283.0**	**226.6**	**56.4**

2012, MEUR	Total	Goodwill	Intangibles
Accumulated acquisition value			
Opening	169.8	156.0	13.8
Business combinations	0.0	–	–
Additions	0.8	–	0.8
Exchange differences	0.0	–0.2	0.2
Closing	**170.6**	**155.8**	**14.8**
Accumulated amortisation			
Opening	2.1	–	2.1
Business combinations	0.0	–	–
Amortisation	2.0	–	2.0
Exchange differences	0.1	–	0.1
Closing	4.2	–	4.2
Net book value at year end	**166.5**	**155.8**	**10.7**

2011, MEUR	Total	Goodwill	Intangibles
Accumulated acquisition value			
Opening	140.1	139.6	0.6
Business combinations	28.5	15.5	13.0
Additions	0.1	–	0.1
Exchange differences	1.1	0.9	0.1
Closing	**169.8**	**156.0**	**13.8**
Accumulated amortisation			
Opening	0.6	–	0.6
Business combinations	0.0	–	–
Amortisation	1.6	–	1.6
Exchange differences	0.0	0.0	0.0
Closing	**2.1**	**0.0**	**2.1**
Net book value at year end	**167.7**	**156.0**	**11.6**

Goodwill is tested annually for impairment. Goodwill is monitored by management at business area level and this is the level at which goodwill has been tested for impairment. Impairment losses are recognised if the carrying value exceeds the value in use. The value in use is the present value of the estimated future cash flows. The cash flows are based on financial plans that normally cover a period of five years. The financial plans have been prepared by the corporate management and approved by the Board of Directors. Cash flows beyond this five-year period have been extrapolated using an estimated sales growth rate of 2% (2%, 2%) which reflects the estimated long term inflation rate.

The calculation of the value in use is based on assessments and estimates. The most significant estimates concern sales development, current market prices, current cost levels with supplements for changes in real price and cost inflation, estimates regarding the development of the operating margin and the current weighted average cost of capital (WACC) used to discount future cash flows. The volume estimates generally adhere to an average growth of 1–2%. For the calculation of present value of expected future cash flows, a pre-tax discount rate of 10% (10%, 10%) has been used for all cash-generating units. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's potential investors. The cost of debt is based on the interest bearing borrowings the group is obliged to service. The beta factors are evaluated annually based on publicly available market data. All cash-generating units were tested for impairment in the fourth quarter of 2013. According to the result of the impairment testing of goodwill, there is no impairment.

Allocation of goodwill by business area	2013	2012	2011
Decor	141.8	139.7	139.9
Release Liners	71.0	–	–
Industrial Applications	13.8	16.1	16.1
Group total	**226.6**	**155.8**	**156.0**

The recoverable amount of the Decor business area exceeded the carrying value of MEUR 223. A sensitivity analysis shows that if the pre-tax discount rate increased from the testing rate of 10% to 17% or if the EBITDA margin in the terminal year was below approximately 8% impairment would be triggered.

The recoverable amount of the Release Liner business area exceeded the carrying value of MEUR 164. A sensitivity analysis shows that if the pre taxdiscount rate increased from the testing rate of 10% to 13% or if the EBITDA margin in the terminal year was below approximately 8% impairment would be triggered.

The testing in Industrial Applications business area is not sensitive to changes in EBITDA margin or discount rate as the headroom between asset carrying value and value in use is very large.

NOTE 15 Tangible fixed assets

2013, MEUR	Total	Machinery & Equipment	Buildings	Land and land improvements	Construction in progress
Accumulated acquisition value					
Opening	716.2	561.5	105.3	39.1	10.3
Business combinations	373.7	320.0	41.6	6.7	5.4
Additions	21.0	5.8	0.4	0.0	14.8
Disposals	–1.2	–1.1	–0.1	0.0	0.0
Reclassifications	–0.5	18.2	0.8	0.0	–19.5
Exchange differences	–7.0	–8.2	2.4	–0.9	–0.3
Closing	**1 102.2**	**896.2**	**150.4**	**44.9**	**10.7**
Accumulated depreciation according to plan					
Opening	479.8	401.0	70.9	7.9	0.0
Business combinations	140.5	126.4	14.1	0.0	0.0
Depreciation	36.1	30.3	5.0	0.8	0.0
Disposals	–1.1	–1.0	–0.1	0.0	0.0
Exchange differences	–0.6	–2.5	2.0	–0.1	0.0
Closing	**654.7**	**554.3**	**91.9**	**8.5**	**0.0**
Net book value	**447.5**	**341.8**	**58.5**	**36.4**	**10.8**

2012, MEUR	Total	Machinery & Equipment	Buildings	Land and land improvements	Construction in progress
Accumulated acquisition value					
Opening	700.4	543.8	103.6	38.1	14.9
Business combinations	0.0	–	–	–	–
Additions	14.0	6.0	0.2	0.0	7.8
Disposals	–9.2	–9.2	0.0	0.0	0.0
Reclassifications	0.0	12.7	0.0	0.0	–12.7
Exchange differences	11.0	8.1	1.5	1.0	0.4
Closing	**716.2**	**561.5**	**105.3**	**39.1**	**10.3**
Accumulated depreciation according to plan					
Opening	459.6	384.7	67.4	7.5	0.0
Business combinations	0.0	–	–	–	–
Depreciation	23.4	20.6	2.8	0.0	0.0
Disposals	–9.1	–9.1	0.0	0.0	0.0
Exchange differences	5.8	4.9	0.7	0.4	0.0
Closing	**479.8**	**401.0**	**70.9**	**7.9**	**0.0**
Net Book Value	**236.4**	**160.4**	**34.5**	**31.2**	**10.3**

2011, MEUR	Total	Machinery & Equipment	Buildings	Land and land improvements	Construction in progress
Accumulated acquisition value					
Opening	516.4	402.4	70.7	37.3	6.0
Business combinations	199.3	166.6	29.2	0.4	3.1
Additions	22.8	6.4	3.9	0.1	12.4
Disposals	–41.1	–39.5	–1.6	0.0	0.0
Reclassifications	0.0	5.8	1.0	0.0	–6.8
Exchange differences	2.9	2.2	0.4	0.3	0.1
Closing	**700.4**	**543.8**	**103.6**	**38.1**	**14.9**
Accumulated depreciation according to plan					
Opening	320.7	267.3	45.9	7.4	0.0
Business combinations	154.0	133.1	20.9	0.0	0.0
Depreciation	21.2	19.0	2.1	0.0	0.0
Disposals	–37.9	–36.2	–1.7	0.0	0.0
Exchange differences	1.6	1.4	0.2	0.0	0.0
Closing	**459.6**	**384.7**	**67.4**	**7.5**	**0.0**
Net Book Value	**240.8**	**159.2**	**36.1**	**30.6**	**14.9**

NOTE 16 Equity accounted investments

Equity accounted investments	Corporate ID	Registered Office	Country	Share of equity %	Share of votes %
Sydved AB – associated company	556171-0814	Jönköping	Sweden	33	33
AM Real Estate S.r.l. – joint venture	10948970016	Turin	Italy	50	50

MEUR	2013	2012	2011
Book value at the beginning of the year	2.2	2.1	2.1
Business Combinations	12.0	–	–
Share of earnings for the year	0.3	0.0	0.0
Exchange differences	0.0	0.1	0.0
Book value at the end of year	**14.5**	**2.2**	**2.1**

The carrying value of the associated company Sydved AB has no goodwill included. The Group's liabilities to Sydved amounted to MEUR 8.4 (10.1, 4.3). In connection with the business combination described in note 3, certain assets in Turin are shared by Munksjo Italia S.p.A. and the Ahlstrom business remaining at the Turin site. The shared assets have been transferred to AM Real Estate S.r.l which is owned 50:50 by Munksjö Oyj and an Ahlstrom Group company. The carrying value includes goodwill amounting to MEUR 2.6. The Group's had no liabilities or receivables in respect of AM Real Estate S.r.l with the exception of a loan payable of MEUR 1.2.

Share of Sydved AB's assets, equity, net sales and profit before tax

MEUR	2013	2012	2011
Assets	12.4	13.3	14.7
Equity	2.3	2.2	2.1
Net sales	99.0	118.3	122.6
Profit before tax	0.2	0.0	0.0

Sydved AB has no contingent liabilities.

Share of AM Real Estate S.r.l's assets, equity, net sales and profit before tax

MEUR	2013
Assets	10.3
Equity	9.6
Net sales	0.0
Profit before tax	0.3

AM Real Estate S.r.L has no contingent liabilities.

NOTE 17 Inventories

MEUR	2013	2012	2011
Materials and supplies	17.9	15.7	21.4
Work in progress	7.0	1.5	2.1
Finished products	91.5	54.4	60.9
Consumables and spare parts	30.2	18.9	18.5
Total inventories	**146.6**	**90.5**	**102.8**

Operating costs include impairment losses of inventories amounting to MEUR 0.6 (0.9, 1.1).

NOTE 18 Other current assets

MEUR	2013	2012	2011
Value added tax	7.1	2.9	4.3
Escrow cash account	1.2	0.6	1.9
Prepaid expenses	8.2	2.7	0.8
Fair value of unrealised hedges	0.9	0.5	1.1
Other	9.7	4.9	5.9
Total	**27.1**	**11.5**	**14.0**

NOTE 19 Cash and cash equivalents

Cash and cash equivalents are made up of the following items in the Group's cash flow analysis:

MEUR	2013	2012	2011
Cash in banks	83.1	57.1	18.0
	83.1	**57.1**	**18.0**

Bank deposits earn variable interest based on the bank's daily deposit rate. The fair value for cash and cash equivalents is MEUR 83.1 (57.1; 18.0).

	2013	2012	2011
The total credit limit for the Munksjö Group amounts to:	355.0	282.6	276.8
Of which, the following was utilised at the closing date:	305.0	276.5	270.7

NOTE 20 Equity

Please refer to parent entity financial statements for details on share capital and reserve for invested unrestricted equity.

Other contributed capital
Refers to equity contributed by the shareholders.

Reserves
Translation reserve
The translation reserve includes all exchange rate differences arising in the conversion of financial reports of foreign businesses, which prepared their financial reports in a currency other than the Group's functional currency.

Hedge reserve
The hedge reserve comprises the effective portion of the cumulative net change in the fair value of a cash-flow-hedging instruments related to hedged transactions that have not yet occurred.

NOTE 21 Financial assets and liabilities

2013 MEUR	Derivatives used in hedge accounting	Financial assets at fair value through profit and loss	Accounts and loan receivables	Financial liabilities at amortised cost	Carrying value	Fair value
Customer financing receivables	–	–	128.7	–	128.7	128.7
Other current receivables[1)]	0.9	–	26.2	–	27.1	27.1
Cash and cash equivalents	–	–	83.1	–	83.1	83.1
Total	**0.9**	**0.0**	**238.0**	**0.0**	**238.9**	**238.9**
Interest-bearing liabilities[3)]	0.2	–	–	313.3	313.5	313.5
Accounts payable	–	–	–	175.8	175.8	175.8
Accrued expenses[2)]	2.2	–	–	86.4	88.6	88.6
Other liabilities	–	–	–	9.6	9.6	9.6
Total	**2.4**	**0.0**	**0.0**	**585.1**	**587.5**	**587.5**

[1)] of which currency derivatives 0.9
[2)] of which pulp derivatives 0.7, electricity 0.5, currency 1.0
[3)] of which interest derivatives 0.2

2012 MEUR	Derivatives used in hedge accounting	Financial assets at fair value through profit and loss	Accounts and loan receivables	Financial liabilities at amortised cost	Carrying value	Fair value
Customer financing receivables	–	–	80.7	–	80.7	80.7
Other current receivables[1)]	0.5	–	11.0	–	11.5	11.5
Cash and cash equivalents	–	–	57.1	–	57.1	57.1
Total	**0.5**	**0.0**	**148.8**	**0.0**	**149.3**	**149.3**
Interest-bearing liabilities	–	–	–	274.4	274.4	274.4
Accounts payable	–	–	–	79.7	79.7	79.7
Accrued expenses[2)]	0.9	–	–	41.1	42.0	42.0
Other liabilities	–	–	–	8.6	8.6	8.6
Total	**0.9**	**0.0**	**0.0**	**403.8**	**404.7**	**404.7**

[1)] of which currency derivatives 0.5
[2)] of which interest derivatives 0.1, electricity 0.4, currency 0.4

2011 MEUR	Derivatives used in hedge accounting	Financial assets at fair value through profit and loss	Accounts and loan receivables	Financial liabilities at amortised cost	Carrying value	Fair value
Customer financing receivables	–	–	83.6	–	83.6	83.6
Other current receivables[1])	1.1	–	12.9	–	14.0	14.0
Cash and cash equivalents	–	–	18.0	–	18.0	18.0
Total	**1.1**	**0.0**	**114.5**	**0.0**	**115.6**	**115.6**
Interest-bearing liabilities	–	–	–	271.3	271.3	271.3
Accounts payable	–	–	–	54.4	54.4	54.4
Accrued expenses[2])	8.6	–	–	40.0	48.6	48.6
Other liabilities	–	–	–	10.3	10.3	10.3
Total	**8.6**	**0.0**	**0.0**	**376.0**	**384.6**	**384.6**

1) of which currency derivatives 0.4, pulp derivatives 0.7
2) of which interest derivatives 3.2, pulp 3.7, currency 1.1, energy 0.6

In connection with the business combination described in Note 3, Munksjö Oyj in May 2013 entered into a EUR 365 million Term and Revolving Facilities Agreement. The facilities consist of EUR 295 million term loan facilities to provide financing for the repayment of certain existing loans of Munksjö AB to credit institutions, and for the repayment of the debt assumed by Munksjö Oyj towards Ahlstrom Corporation in connection with the LP Europe demerger, and EUR 70 million revolving credit facility to provide working capital financing for Munksjö Oyj and its subsidiaries. At 31 December 2013, EUR 305 million of the total facilities of EUR 365 million had been utilised.

As a consequence of the net debt adjustment mechanism agreed upon in the business combination, Munksjö AB's shareholders received a net debt compensation amounting to EUR 11.5 million. This net debt compensation was invested in a directed share issue of Munksjö Oyj. Munksjö AB following the receipt of the new shares in Munksjö Oyj distributed the new shares to its shareholders in the form of a dividend in kind. In addition, Ahlstrom paid a total of EUR 9.5 million to the reserve for invested unrestricted equity of Munksjö Oyj in respect of a working capital adjustment. Ahlstrom, EQT III Limited through Munksjö Luxembourg Holding S.à r.l. and the institutional investors, made equity investments in Munksjö Oyj's directed share issue of EUR 128.5 million divided between the investors as follows: Ahlstrom EUR 78.5 million, EQT III Limited EUR 25.0 million, Varma Mutual Pension Insurance Company EUR 6.25 million and Ilmarinen Mutual Pension Insurance Company EUR 18.75 million.

Summary of financing activities	EUR million
Dividends to Munksjö AB shareholders	–11.5
Working capital adjustment	9.5
Proceeds from directed share issue	128.5
Cost of share issue	–6.6
Proceeds from facilities agreement	315.0
Cost of new borrowings (excluding legal fees)	–9.6
Repayment of LP Europe debt	–154.3
Repayment of Munksjö AB borrowings	–264.3
Repayment of new facilities	–10.0

NOTE 22 Leasing commitments

The Munksjö Group has, as the lessee, signed financial and operational leasing contracts.

Future operating lease commitments:

MEUR	2013		2012		2011	
Operational leasing, MEUR	Future minimum leasing fees	Of which, premises	Future minimum leasing fees	Of which, Premises	Future minimum leasing fees	Of which, Premises
Within 1 year	5.6	0.9	1.5	0.7	1.1	0.6
2–5 years	14.9	1.7	2.7	1.5	3.5	2.0
More than 5 years	1.0	0.0	0.2	0.0	0.0	0.0
Total	**21.5**	**2.6**	**4.4**	**2.2**	**4.6**	**2.6**

Of the total future obligations of MEUR 21.5, some MEUR 11.8 relates to obligations to Munksjö's joint arrangement in Italy as described in note 16. The Group's operational leasing costs for machinery and equipment plus rent on external properties amounted to MEUR 6.7 (2.3, 2.7).

Future financial lease commitments:

Financial leasing, MEUR	Within 1 year	2–5 years	More than 5 years	Total
2013				
Minimum lease payments	1.7	6.9	0.3	8.9
Interest	0.3	0.8	0.0	1.1
Present value of minimum lease payments	**1.4**	**6.1**	**0.3**	**7.8**
2012				
Minimum lease payments	0.6	5.2	0.8	6.6
Interest	0.1	0.3	0.1	0.6
Present value of minimum lease payments	**0.5**	**4.9**	**0.7**	**6.0**
2011				
Minimum lease payments	0.8	5.4	1.1	7.3
Interest	0.2	0.6	0.1	0.9
Present value of minimum lease payments	**0.6**	**4.8**	**1.0**	**6.4**

Assets in the consolidated statement of financial position as at 31 December under financial leasing consisted on machinery with a net book value of MEUR 7.8 (5.8; 6.2).

NOTE 23 Provisions

MEUR	Restruc-turing	Environ-mental reserves	Other	Total
Closing balance on December 31, 2010	**4.9**	**2.6**	**3.3**	**10.8**
Unwinding of discount	0.2	0.1	0.2	0.5
Reclassifications	–6.3	3.5	0.0	–2.8
Provisions made during the year	2.7	2.0	0.0	4.7
Provisions used during the year	–1.2	–1.3	0.0	–2.5
Exchange differences	–0.3	–0.1	–0.1	–0.5
Closing balance on December 31, 2011	**0.0**	**6.8**	**3.4**	**10.2**
Unwinding of discount	0.0	0.3	0.2	0.5
Provisions made during the year	0.0	0.3	0.0	0.3
Provisions used during the year	0.0	–0.3	0.0	–0.3
Exchange differences	0.0	–0.3	–0.1	–0.5
Closing balance on December 31, 2012	**0.0**	**6.8**	**3.4**	**10.2**
Unwinding of discount	0.0	0.3	0.0	0.3
Business Combinations	0.8	0.0	6.7	7.5
Provisions made during the year	8.4	5.2	14.0	27.6
Provisions used during the year	–0.4	–0.9	–4.5	–5.8
Provisions reversed	0.0	0.0	–3.5	–3.5
Exchange differences	–0.1	–0.3	0.2	–0.2
Closing balance on December 31, 2013	**8.7**	**11.1**	**16.3**	**36.1**

Restructuring provisions consisted mainly of employee related redundancy and early retirement provisions. The significant increase during 2013 relates mainly to synergy and integration activities post the business combination described in note 3. The increase in the environmental provisions relates mainly to the closed Italian and US production sites where accelerated unwinding of discount and a change in estimates triggered an increase in the provision. In other provisions the main driver of the increase relates to Osnabruck committments. Munksjö Oyj made a commitment to pay certain costs arising from the divestment of some businesses in Osnabruck, Germany by Ahlstrom required by the European Commission as a condition of regulatory approval. During 2011, provisions previously classified as restructuring were reclassified as environmental to better reflect the nature and timing of the related provision.

The provisions above have been made based on the assessment described in Note 2.

NOTE 24 Accrued expenses and deferred income

MEUR	2013	2012	2011
Provision for restructuring (note 23)	–	–	2.8
Accrual for invoices not yet received	34.5	13.1	10.4
Accrued wages and salaries	10.7	8.4	5.8
Accrued vacation pay	12.4	6.4	6.8
Accrued social security costs	10.7	7.5	8.8
Accrued customer bonus	8.1	3.7	3.0
Current derivatives assets	2.3	0.9	8.6
Other	9.9	2.0	2.3
Total accrued expenses and prepaid income	**88.6**	**42.0**	**48.7**

NOTE 25 Financial risk management

The Group's main exposure to financial risk consists of currency risk (extensive transaction and translation exposure), liquidity and financing risk, interest risk and credit risk (also referred to as counterparty risk). Munksjö's financing activities and the management of financial risks are generally carried out centrally and are in compliance with the financial policy adopted by the Board of Directors. The financial risks are described below, as well as the most significant risk management activities intended to mitigate them.

Currency risk

Transaction exposure

Most European entities invoice primarily in EUR and their costs are incurred in the same currency, however Munksjö's Swedish units are exposed to exchange rate fluctuations, as the main share of its income is invoiced in foreign currencies, primarily EUR and USD, while costs are in SEK. The transaction exposure is the profit and loss effect that arises between the time of sale and the time of payment following an exchange rate fluctuation. Munksjö's Brazilian entity invoices primarily in BRL and their costs are incurred in the same currency.

Munksjö's operative entities are affected by the exchange rates applicable at any given time in order to achieve a continuous adjustment of the commercial conditions to the existing currency situation. The main objective of the operative entities is the operating margin, which is measured excluding the profit and loss effects from the hedging of the currency flows.

To reduce the effects of the transaction exposure at group level, Munksjö continuously hedges a forecasted net flow in the foreign currencies according to the financial policy, which states that up to 65–85% of the net flow in the upcoming 9–month period shall be hedged. At the end of 2013, the currency contracts that had not yet been nominally recognised as income amounted to KEUR –17.6. The currency forward contracts are entered into on a monthly basis, with a maturity of nine months.

2013, MEUR	SEK	USD	EUR	Other
Net sales 2013	36	137	685	7
Net expenses 2013	–170	–84	–574	–6
Exposure	**–134**	**53**	**112**	**1**
Total hedged 2013-12-31	**–59**	**18**		

2012, MEUR	SEK	USD	EUR
Net sales 2012	48	111	448
Net expenses 2012	–168	–20	–381
Exposure	**–119**	**91**	**67**
Total hedged 2012-12-31		**24**	**23**

2011, MEUR	SEK	USD	EUR
Net sales 2011	50	89	465
Net expenses 2011	–159	–20	–421
Exposure	**–110**	**68**	**44**
Total hedged 2011-12-31		**25**	

Translation exposure

Munksjö has assets in foreign currencies, primarily through the ownership of its Swedish and Brazilian subsidiaries. The translation exposure arises when the net assets of the foreign subsidiaries are translated into EUR.

Liquidity and financing risk

Liquidity and financing risk refers to the risk that Munksjö cannot meet its payment obligations due to insufficient liquidity or difficulties in raising new loans. Munksjö has access to non-current financing of its operations. As described in note 21 a major refinancing was undertaken in 2013 in connection with the business combination as described in Note 3.

Even if the new share issue conducted in connection with the combination strengthens the Group's financial position, it cannot be precluded that Munksjö might still require additional financing in the future, such as through the raising of a loan or through a new share issue. The access to additional financing is affected by a number of factors, including market conditions, the general availability of credit as well as Munksjö's credit rating and credit capacity. The access to additional financing is further dependent on the fact that customers, suppliers, and lenders must not get a negative opinion of Munksjö's current and non-current financial prospects. Disturbances and uncertainties on the capital and credit markets may also limit the availability of the capital required to operate the business.

Liabilities to credit institutions and shareholders that fall to payment:

MEUR	2013	2012	2011
within 1 year	42.4	14.8	14.9
between 1–5 years	268.0	258.9	255.8
after 5 years	3.1	0.7	0.8
Total interest-bearing liabilities[1]	**313.5**	**274.5**	**271.5**

[1] Interest bearing liabilities excludes accrued interest and fair value of interest rate swaps of MEUR 3,4. (0.8, 0.8)

MEUR	31 December 2013	31 December 2012	31 December 2011
Syndicated EUR loans	285.0	149.8	149.9
Syndicated SEK loans	–	99.0	95.4
Syndicated EUR revolver loans	20.0	14.3	14.3
Other interest-bearing liabilities	8.5	11.4	11.9
Total	**313.5**	**274.5**	**271.5**

As discussed in Note 21, during 2013 Munksjö Oyj entered into a EUR 365 million Term and Revolving Facilities Agreement. The facilities consist of EUR 295 million term loan facilities to provide financing for the repayment of certain existing loans of Munksjö AB to credit institutions, and for the repayment of the debt assumed by Munksjö Oyj towards Ahlstrom Corporation in connection with the LP Europe demerger, and EUR 70 million revolving credit facility to provide working capital financing for Munksjö Oyj and its subsidiaries. At 31 December 2013, EUR 305 million of the total facilities of EUR 365 million had been utilised. EUR 100 million of the term loan facility has bi-annual repayments of EUR 10 million commencing December 2013 and finishing March 2018. The remaining EUR 195 million is also repayable in March 2018. As a result of the repayment made in December total facilities amounted to EUR 355 million as at 31 December 2013. The interest payable under the facilities agreement depends on the ratio of consolidated senior net debt to consolidated EBITDA of the Group. Currently, the weighted average interest rate is approximately 4.2 per cent.

Interest-bearing net debt amounted to EUR 230.4 million at 31 December 2013 (217.3; 251.6), resulting in a gearing of 54.4% (108.9%, 123.2%). According to Munksjö's financial covenants for 2013, the consolidated senior net debt to consolidated EBITDA needs to be 4.0 or less and the consolidated EBITDA to consolidated net finance charges shall not be less than 4.0.

The financing agreement also contains other covenants including a capital expenditure limit for each year that must not be exceeded. The applicable amount is MEUR 60 for 2013.

Interest risk

The variable interest risk consists of the profit and loss effect caused by an interest rate fluctuation. The speed with which an interest rate trend will impact the profit or loss depends on the fixed interest terms of the loans and investments. The Group had an average fixed interest term of 15 months at year-end.

At the end of 2013, Munksjö held interest rate swaps of MEUR 200 (140, 140) on the syndicated loan. The fixed portion of the loan had an average interest rate of 0,40%, while the flexible portion held by Munksjö is based on the 3 months Euribor rate. The interest rate swaps lessens the impact of an interest rate fluctuation. The interest rate swaps commencing in January and October, 2013 have a maturity date of July, 2015 and October, 2016. Settlement occurs on a quarterly basis.

In case of an interest rate fluctuation, costs related to borrowings including interest rate swaps are affected as stated below.

Interest +1%	MEUR 1.1
Interest +2%	MEUR 2.1

Price risk

Munksjö hedges 50% (approx 68 000 Mwh) of its annual electricity consumption for the Swedish entities. This entails a price risk for the unhedged portion. The electricity hedging is arranged via Statkraft, within predetermined maximum/minimum levels until 2015.

With regard to pulp, Munksjö has a policy of hedging no more than 50% of the sales/purchases.

During 2013, purchases of 1 633 tonnes of short fiber pulp were hedged each month. A further 45 000 tonnes of short and long fibre pulp swaps were entered into in October 2013 which will mature at a monthly rate of 3 750 tonnes commencing January 2014. The long fiber pulp is manufactured and sold by Munksjö, whereas both long and short fiber pulp is used in production.

The following table shows the estimated effect on profit before tax for price changes from pulp, energy and titanium dioxide.

MEUR	Actual	On a pro-forma basis
Pulp +5%	–5	–10
Energy +5%	–4	–6
Titanium dioxide +5%	–5	–5

Credit risk

Credit risk refers to the risk that a counterparty, in a financial transaction, cannot meet its obligations. To avoid this, it is clearly defined in Munksjö's financial policy how any excess liquidity may be invested. The calculation of credit risk includes positive profit and loss effects on derivative contracts with a counterparty. Munksjö's maximum credit risk exposure corresponds to the fair values of the financial assets, see Note 21.

Customer structure and customer credit

Munksjö has long-standing customer relations, and the major share of the sales, approximately 70%, is to Europe. The sales can be based on framework agreements specifying general terms and conditions of supply and planned supply quantities; alternatively, the customer submits a request regarding the quality and quantity for a specific purpose. Various pricing models are used, either according to an issued price list or using a fixed price for a certain period. For pulp there are publicity quoted market prices available. The extension of credits to customers varies depending on the market and the product. Accounts receivables amounted to MEUR 128.7 (80.6, 83.7) at year-end 2013.

The Group has a credit policy that governs the management of customer credits. The fair value of accounts receivables and supplier credits is commensurate with the recognised value.

Accounts receivable, MEUR	2013	2012	2011
Accounts receivable not due	116.5	73.2	75.9
Receivables overdue			
< 30 days	10.5	5.8	5.8
30–90 days	0.3	0.9	0.9
> 90 days	1.4	0.7	1.1
Receivables overdue	**12.2**	**7.4**	**7.8**
Total accounts receivable	**128.7**	**80.6**	**83.7**

Financial instruments, per level

The table shows derivative instruments valued at fair value (MEUR). The division per level is made as follows: Level 1 means that there are quoted prices on active markets, which prices have been used in the valuation.

Level 2 means that the valuation of the derivative is indirectly attributed from quoted prices. Level 3 means that the derivative instrument has been valued based on non-observable market data.

Munksjö's derivatives are classified in levels 2 and 3. No changes between levels occurred during the year.

Derivative instruments used for hedging purposes, MEUR	Level 1	Level 2	Level 3	Total
2013				
Currency derivatives	–	–0.1	–	–0.1
Electricity derivatives	–	–0.5	–	–0.5
Pulp derivatives	–	–	–0.7	–0.7
Interest rate derivatives	–	–0.2	–	–0.2
Total	**–**	**–0.8**	**–0.7**	**–1.5**

Financial instruments

The currency and electricity hedges made negative contributions as the Swedish kronor became weaker and electricity prices stayed low. The low prices on short fiber pulp have a negative impact on the pulp swaps and the continued low interest rate has a negative impact on the interest rate swaps.

Realised hedging, MEUR	2013	2012	2011
Currency derivatives	–0.2	1.9	2.4
Electricity derivatives	–0.4	–1.1	–3.2
Pulp derivatives	–0.2	–0.2	0.4
Interest rate derivatives	–0.2	–3.7	–3.3
Total	**–1.0**	**–3.1**	**–3.7**

Offset of financial instruments

MEUR	Bank[1]	Asset	Liability	Netting	Balance Sheet Presentation
Currency derivatives	A	0,9	–1.0	–0.1	Current Assets
Pulp Derivatives	A	0,0	–0.7	–0.7	Current Liabilities
Interest rate swaps	A	0,0	–0.1	–0.1	Current Borrowings
Electricity derivatives	B	0,0	–0.5	–0.5	Current Liabilities
Interest rate swaps	C	0,0	–0.1	–0.1	Current Borrowings
Total		**0,9**	**–2.4**	**–1.5**	

[1] Counterparty for the derivatives.

Capital Management

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated by dividing net debt by equity. Net debt is calculated as total borrowings as shown in the balance sheet less accrued interest less cash and cash equivalents. The Group strategy is to maintain a gearing ratio of below 80% and the ratio as at 31 December 2013 was 54,4%.

NOTE 26 Subsidiaries

The consolidated accounts include the following entities

	Corporate ID	Registered Office	Share of votes %	Share of equity %
Munksjö Oyj	2480661-5	Helsinki	Parent	Parent
Munksjö AB	556669-9731	Jönköping	100	100
Munksjö Belgium SA	0524.794.249	Wavre, Belgium	100	100
Munksjö UK Limited	08428608	London, England	100	100
Munksjö Poland sp. Z o.o.	0000419368	Warsaw, Poland	100	100
Munksjö India Private Limited	U21020DL2013FTC252459	New Delhi, India	100	100
Munksjö Turkey paper Products Trading Limited	861191	Istanbul, Turkey	100	100
Munksjö Holding AB	556671-5552	Jönköping	100	100
Munksjö Sweden AB	556000-2262	Jönköping	100	100
Munksjö Aspa Bruk AB	556064-6498	Askersund	100	100
Munksjö Paper AB	556117-9044	Jönköping	100	100
Munksjö Paper S.P.A.	02666640129	Besozzo, Italy	100	100
Munksjö Vendite Italia S.r.l	03090000120	Busto Arsizio, Italy	100	100
Munksjö Spain Holding, S.L	B-63681605	Berástegui, Spain	100	100
Munksjö Paper, S.A.	A-20012563	Berástegui, Spain	100	100
Munksjö France Holding SAS	529514408	Arches, France	100	100
Munksjö Arches SAS	428720668	Arches, France	100	100
Munksjö Paper (Taicang) Co. Ltd	79109300-3	Taicang, China	100	100
Munksjö Germany Holding GmbH	HRB 501626	Unterkochen, Germany	100	100
Munksjö Paper GmbH	HRB 501106	Unterkochen, Germany	100	100
Kraftwerksgesellschaft Unterkochen GmbH	HRB 720446	Unterkochen, Germany	60	60
Munksjö Dettingen Gmbh	HRB 361000	Dettingen, Germany	100	100
Munksjö S.P. Italy SRL	12306490157	Italy	100	100
Munksjö Paper Inc.	52-1517747	Fitchburg, USA	100	100
Munksjö Brasil Indústria e Comércio de Papéis Especiais Ltda	CNPJ 16.929.712/0001-20	Jacareí, Brazil	100	100
Munksjo Italia S.p.A.	08118010159	Turin, Italy	100	100
Munksjö LabelPack S.A.S.	318 072 360	Fontenay-sous-Bois Cedex, France	100	100
Munksjö Paper Trading (Shanghai) Co., Ltd.	31010506253047X	Shanghai, China	100	100
Munksjö Rus O.O.O	1137746559940	Moscow, Russia	100	100

NOTE 27 Assets pledged and contingent liabilities

Assets pledged, MEUR	2013	2012	2011
Property mortgages for other commitments	62.5	93.3	83.1
Blocked bank accounts	1.2	0.6	1.9
Chattel mortgages	51.6	192.8	188.7
Total pledged assets	**115.3**	**286.7**	**273.7**

The properties and shares in the subsidiaries have been pledged with Nordea Bank AB as the representative of a bank syndicate that provides non-current financing to the Munksjö Group.

Contingent liabilities, MEUR	2013	2012	2011
Guarantees and other contingent liabilities	1.3	1.4	1.2
Total contingent liabilities	**1.3**	**1.4**	**1.2**

NOTE 28 Transactions with related parties

Salaries and remuneration to Board Members and senior executives are set out in Note 8 Remuneration to the Board of Directors and senior executives.

Munksjö AB had a shareholder loan of MEUR 0.7 (0.8) as at 31 December 2012, 2011, which was split as follows: EQT: MEUR 0.2, Board Members: MEUR 0.1 and current and former senior executives of the Munksjö Group: MEUR 0.4, the loan had an interest of EURI-BOR 360 days +7.5 percent, which amounted to MEUR 0.0 (0.07, 0.07). The amount of interest paid in 2013 was significantly lower than in prior periods as the loan was repaid during 2013. There have been no additional loans, purchases, or sales in relation to the Board of Directors or senior executives.

The subsidiary Munksjö Aspa Bruk AB purchases wood and woodchips from the associated company Sydved AB. During the year Aspa Bruk AB purchased 874 000 m³ (879 000, 847 000) of wood and woodchips amounting to MEUR 44.7 (47.5, 48.9).

The subsidiary Munksjö Paper GmbH is buying electricity and gas from Stadtwerke Aalen GmbH who owns 40% of Munksjö Paper GmbH's subsidiary Kraftwerksgesellschaft Unterkochen GmbH, the related purchase amounts to MEUR 6.2 (6.3, 7.2).

In connection with the business combination described in note 3, certain assets in Turin are shared by Munksjo Italia S.p.A. and the Ahlstrom business remaining at the Turin site. The shared assets have been transferred to AM Real Estate Srl which is owned 50:50 by Munksjö Oyj and an Ahlstrom Group company. During 2013 AM Real Estate charged Munksjö Italia S.p.A. MEUR 1.7 related to the use of assets. In addition to the use of assets Munksjö Oyj received a loan from AM Real Estate during 2013. The amount outstanding as at 31 December 2013 amounted to MEUR 1.2 and the interest charged is fixed to three month Euribor plus a margin of 4.77%.

Other than as stated above, there are no significant transactions with related parties.

Consolidated key ratios

	2013	2012*	2011*
Net sales	863.3	607.1	604.0
Operating result	–33.4	7.4	10.5
Net result	–57.4	–10.5	3.1
Margins (adjusted)			
EBITDA margin, %	6.4%	7.0%	7.8 %
Operating margin, %	1.8%	2.8%	4.1 %
Return (12 months continuous)			
Return on operating capital, % (adjusted)	2.8%	3.9%	6.1 %
Return on shareholders' equity, %	–10.8%	–5.1%	1.8 %
Capital structure at period's end			
Operating capital, MEUR	695.5	413.0	454.6
Shareholders' equity, MEUR	423.8	199.5	204.2
Interest-bearing net debt, MEUR	230.4	217.3	251.6
Debt/equity ratio, %	54.4%	108.9%	123.2 %
Equity/assets ratio, %	35.7%	29.4%	30.5 %
Per share (before and after dilution)			
Earnings per share, EUR	-2.0	-0.9	0.2
Shareholders' equity per share, EUR	8.3	16.2	2.7
Average number of shares	29,228,454	12,306,807	12,306,807
Capital expenditure, MEUR	22.6	14.8	22.4
Employees, FTE	2,216	1,679	1,635

* The comparative figures have been restated due to the change in presentation currency from Swedish krona to Euro.

Calculation of key figures

EBITDA
Operating result before depreciation and amortisation. EBITDA margin EBITDA as a percentage of Net sales.

Operating margin
Operating result after depreciation and amortisation as a percentage of Net sales.

Return on shareholders' equity
Result or the year as a percentage of average shareholders' equity.

Operating capital
Balance sheet total less interest-bearing assets, tax assets and non interest-bearing operating liabilities, including pension provisions.

Return on operating capital
Operating result as a percentage of operating capital.

Net Interest-bearing liability
Interest-bearing assets (including cash and equivalents) less interest-bearing liabilities.

Debt/equity ratio
Interest-bearing net debt divided by shareholders' equity including non-controlling interests.

Equity/assets ratio
Shareholders' equity including non-controlling interests as a percentage of total assets.

Earnings per share
Result for the period divided by the average number of shares outstanding.

Equity per share
Shareholders' equity divided by the number of shares outstanding at the end of the period.

FTE
Number of hours worked divided by normal annual working hours.

Interest bearing liabilities and assets
Liabilities and assets which have a contractual obligation/right to pay/receive interest to/from a financial institution.

Non-recurring items
Income or expense arising from activities or events outside of normal activities and of a non-recurring nature.

Shareholder information

LARGEST REGISTERED SHAREHOLDERS AS AT 31 DECEMBER 2013 (EXCLUDING NOMINEE REGISTERED)			
		Number of shares and votes	%
1	Munksjö Luxembourg Holding S.A.R.L.	12,456,729	24.4
2	Ahlstrom Coporation	9,081,220	17.8
3	Vimpu Intressenter Ab	3,271,410	6.4
4	Antti Ahlströmin Perilliset Oy	2,407,520	4.7
5	Ilmarinen Mutual Pension Insurance Company	2,353,646	4.6
6	Varma Mutual Pension Insurance Company	1,512,106	3.0
7	Huber Mona	644,625	1.3
8	Tracewski Jacqueline	518,913	1.0
9	Nahi Kaj Anders Bertel	411,116	0.8
10	Kylmälä Tauno Kim Toivo	397,271	0.8
11	Lund Niklas Roland	357,274	0.7
12	Kylmälä Kasper Johannes	343,655	0.7
13	Studer Anneli	343,592	0.7
14	Huber Samuel	329,394	0.7
15	Huber Karin	328,930	0.6
16	Emmett Linda	327,437	0.6
17	Gullichsen Johan Erik	326,740	0.6
18	Sumelius John Michael	318,289	0.6
19	Koivulehto Monica	299,575	0.6
20	Seligson Peter	285,822	0.6
20 largest shareholders, total		**36,315,264**	**71.1**

SHAREHOLDERS BY SECTOR AS AT 31 DECEMBER 2013	Number of shareholders	Share of shareholders, %	Number of shares	Number of shares, %
Households	11,427	94.22	12,995,031	25.4
Public sector institutions	8	0.07	4,093,132	8.0
Financial and insurance institutions	20	0.16	297,882	0.6
Corporations	484	3.99	15,564,924	30.5
Non-profit institutions	95	0.78	445,183	0.9
Foreign and nominee registered owners	94	0.78	17,665,429	34.6
Total	**12,128**	**100.00**	**51,061,581**	**100.0**

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2013				
Number of shares	Number of shareholders	% of share-holders	Number of shares	% of shares
1 - 100	7,736	63.8	297,946	0.6
101 - 500	3,216	26.5	625,415	1.2
501 - 1000	570	4.7	356,980	0.7
1001 - 5000	384	3.2	705,609	1.4
5001 - 10000	55	0.5	379,714	0.7
10001 - 50000	67	0.6	1,567,348	3.1
50001 - 100000	47	0.4	3,308,850	6.5
100001 - 500000	44	0.4	9,279,377	18.2
500001 -	9	0.1	34,540,342	67.6
Total	**12,128**	**100.0**	**51,061,581**	**100.0**

Extract of the parent company financial statement

The Parent Company Financial Statements are prepared according to Generally Accepted Accounting Principles in Finland "Finnish GAAP"; see Group Consolidated Financial Statements Note 1 Accounting principles. The main differences between the accounting policies of the Group and the Parent Company are:

- The valuation of derivative financial instruments,
- Costs related to the combination of Munksjö AB and Ahlstrom Oyj's Label and processing business,
- Costs related to the listing of the company's shares on the Helsinki stock exchange.

Parent company Income Statement

MEUR	1.1.–31.12.2013	15.5.–31.12.2012
Income	1.7	0.0
Personnel costs	–0.4	0.0
Operating expenses	–15.7	0.0
Amortisation of intangible assets	–3.1	0.0
Operating loss	**–17.5**	**0.0**
Financial income and expense		
Interest income group companies	9.5	0.0
Interest income from credit institutions	0.0	0.0
Interest expense group companies	–0.1	0.0
Interest expense to credit institutions	–8.0	0.0
Hedging costs	–0.6	0.0
Other financial expenses	–0.5	0.0
Total financial income and expense	**0.3**	**0.0**
Loss before taxes	**–17.2**	**0.0**
Change in deferred tax	0.7	0.0
Loss for the year/period	**–16.5**	**0.0**

Parent company balance sheet

MEUR	2013-12-31	2012-12-31
ASSETS		
Intangible assets		
Intangible rights	1.4	0.0
Other capitalized expenditure	26.0	5.7
	27.4	**5.7**
Non-current assets		
Investments		
Shares in subsidiaries	351.0	0.0
Shares in joint ventures	9.9	0.0
Loan receivables from group companies	265.9	0.0
Other receivables	0.0	5.8
	626.8	**5.8**
Deferred tax asset	0.7	0.0
Total non-current assets	**654.9**	**11.5**
Current assets		
Short-term receivables		
Prepayments	0.1	1.3
Receivables from group companies	99.7	0.0
Other receivables	0.2	0.0
Total current assets	**100.0**	**1.4**
Cash and cash equivalents	51.4	0.1
TOTAL ASSETS	**806.3**	**12.9**
EQUITY AND LIABILITIES		
Equity		
Share capital	15.0	0.1
Reserve for invested unrestricted equity	319.2	0.0
Retained earnings	0.0	0.0
Loss for the financial year	–16.5	0.0
Total equity	**317.7**	**0.1**
Provisions	9.1	0.0
Non-current liabilities		
Borrowings from credit institutions	265.0	0.0
Borrowings from group companies	13.0	0.0
Borrowings from joint ventures	1.2	0.0
Total non-current liabilities	**279.2**	**0.0**
Current liabilities		
Short-term		
Borrowings from credit institutions	40.0	0.0
Borrowings from group companies	153.3	0.0
Accrued interest	3.2	0.0
Accounts payable	2.4	0.0
Accounts payable to group companies	0.2	0.0
Accrued liabilities	1.2	12.8
Total current liabilities	**200.3**	**12.8**
Total Liabilities	**488.6**	**12.8**
TOTAL EQUITY AND LIABILITIES	**806.3**	**12.9**

The accompanying notes are an integral part of these consolidated financial statements.

Parent company cash flow statement

MEUR	1.1. - 31.12.2013	15.5. - 31.12.2012
Cash flow used in operating activities		
Net loss before taxes	–17.2	0.0
Amortisation	3.1	0.0
Financial income and expenses	–0.9	0.0
Movement in provisions	9.1	0.0
Interest received and paid	4.1	0.0
Change in working capital	–8.2	11.5
	–10.1	**11.5**
Cash flow used in investing activities		
Investment in intangible assets	–13.9	–5.7
Investment in shares of subsidiaries	–4.7	–5.8
Working capital adjustment business combination	9.5	0.0
Proceeds from sale of shares	14.4	0.0
Loans to group companies	–265.9	0.0
	–260.7	**–11.5**
Cash flow from financing activities		
Proceeds from share issue	128.5	0.1
Proceeds from borrowings, net of fees	304.5	0.0
Repayment of acquired entities borrowings to Ahlstrom	–155.9	0.0
Repayment of borrowings to credit institutions	–10.0	0.0
Proceeds from borrowings from group or affiliated companies	55.0	0.0
	322.1	**0.1**
Net increase/decrease in cash and cash equivalents	**51.3**	**0.1**
Cash and cash equivalents at beginning of period	0.1	0.0
Cash and cash equivalents at end of period	**51.4**	**0.1**

The accompanying notes are an integral part of these consolidated financial statements.

Board's proposal for the Annual General Meeting

The Board of Directors proposes that no dividend will be paid for the fiscal year 2013.

The Board of Directors proposes that the Annual General Meeting would decide to pay funds from the reserve for invested non-restricted equity as return of equity based on the balance of 31 December 2013 adopted by the Annual General Meeting, the amount of return being EUR 0.1 per share.

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the opinion of the Board of Directors the proposed payment of funds will not put the company's solvency at risk.

Signatures to the Financial Statements and the Board of Directors' Report

Stockholm, 13 February 2014

Peter Seligson
Chairman of the Board

Fredrik Cappelen
Deputy Chairman of the Board

Sebastian Bondestam

Jarkko Murtoaro

Hannele Jakosuo-Jansson

Elisabet Salander Björklund

Jan Åström
CEO

Auditor's Report

(Translation from the Swedish Original)

To the Annual General Meeting of Munksjö Oyj
We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Munksjö Oyj for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors
In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 11 March 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Accountant

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Made by Munksjö™

Made by Munksjö
– Intelligent use of paper technology

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